

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF OCTOBER 2005

Dated	Subject	Distribution
10/4/05	Transit Benefit Program	RD Employees
	Unnumbered Letters and Administrative Notices	N.O. Officials
10/5/05	7 CFR Part 3560 Multi-Family Housing (MFH) Programs Guidance for Fiscal Year (FY) 2005 Financial Reporting	S/D
10/7/05	Business and Industry Guaranteed Loan Program Receipt of Complete Applications	S/D
	Replacement of Issuance Regarding Changes to Single Family Housing (SFH) Appraisal Forms	S/D
10/13/05	Faith-Based and Community Initiatives Reporting System "Stories of Lives Transformed" (Success Stories)	S/D
10/14/05	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM, AD
10/20/05	Program Loan Cost Expense Funds FY 2006 Allocations and Requirements Under the Credit Reform Act of 1990	S/D
10/22/05	Guidance on the Capital Needs Assessment Process	S/D
10/25/05	Financial Management Division Review Control Objectives and Techniques and Review Guide for Fiscal Year 2005	S/D
10/26/05	Multi-Family Housing Payment Processing Field Survey	S/D
10/28/05	Transit Distribution Schedule	N.O. Employees
10/29/05	Fiscal Year 2006 State Internal Review Handbook Updates	S/D

October 4, 2005

SUBJECT: Transit Benefit Program

TO: All Rural Development Employees

The Transit Benefit Program recertification process will take place beginning November 1 through December 2, 2005. All employees who wish to participate in the Transit Benefit Program are required to submit a completed AD-1147, "Department of Agriculture Public Transportation Benefit Program Application." Use blue or black ink when completing all forms for the Transit Benefit Program. Employees who participate or want to participate in the Smart Benefits Program need to complete a "Department of Transportation (DOT) Transerve Smart Benefits Application" and provide a legible copy of the back of their Smart Benefits Program card with their application. Both forms are attached to this document. In the "Action Requested" section of the AD-1147 print a "R6" next to "New" for all recertification applications. Do not mark anything in the "Change" block. For new hires after December 2, 2005, insert "N6" next to "New" in the "Action Requested" section of the AD-1147.

Applications need to be completed fully. Any application that is not completed will be returned to the applicant. Only original forms with original signatures will be accepted. Employees located in the Washington, DC metropolitan area need to mail their completed application to Judy Steer, Agency T3transit Coordinator, at Mail Stop 0740. Employees located in the field need to submit their completed application to their state or St. Louis Field Transit Coordinator (see attached list). If there is no designated Transit Coordinator for your area please contact your local Human Resources Office.

The Department has established December 2, 2005, as the deadline to submit applications. Applications from currently enrolled employees will not be accepted after the closing date of December 2, 2005. **Currently enrolled employees who do not recertify before the closing date of December 2, 2005, will be automatically dropped from the Transit Benefit Program and their benefits will cease on December 31, 2005.** Those eligible employees who do not recertify by December 2, 2005, may reapply but there will be no guarantee that benefits will be processed in time for the next faremedia distribution, either monthly or quarterly.

EXPIRATION DATE:  
December 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Due to the variables associated with the National Office faremedia distribution, the following will occur:

- The December scheduled make-up distribution will be cancelled.
- Currently enrolled employees must pick-up first quarter (October/November/December) faremedia by close of business (COB) on December 2, 2005. (Smart Benefit participants must download December benefits by COB, December 2, 2005.)
- After December 2, 2005, only new hires will be authorized to pick-up at the DOT Services Window any business day in December.

The AD-1147 with instructions is available at <http://www.usda.gov/da/shmd/wlforms.htm>. If you have any questions, please contact Judy Steer, Agency Transit Coordinator, at (202) 692-0012 or by e-mail to [judy.steer@wdc.usda.gov](mailto:judy.steer@wdc.usda.gov).

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachments

Sent by electronic mail on **10/4/05** at **1:45** p.m. by PAS.

# **DOT Transerve Smart Benefits Application**



New \_\_\_ Withdrawal \_\_\_ Change \_\_\_

Smart Benefits is an “electronic” way to receive your Metrochek transit benefits. Your Metrochek benefits are electronically added each month to your METRO registered SmartTrip card. The SmartTrip card is a permanent plastic farecard that you register with METRO at the time of purchase with your name, address and password.

## **Rules of Smart Benefits Participation**

1. Any Federal employee who is a Metro Rail, Metro Bus or a registered Smart Benefits vanpool rider and are enrolled in a participating TranServe agency may join this Smart Benefits program.
2. All Federal employees who participate in the SmartBenefits Program must authorize DOT to verify the accuracy of the name assigned to their SmartTrip Card.
3. SmartBenefits are available to participating riders on a monthly basis.
4. Vanpool benefits will be directly deposited into your specific vanpool operator’s account monthly following the participant’s one time on-line designated authorization at WMATA.com after this application is processed.
5. SmartBenefits for rail and bus riders are available to recipients on a monthly basis to be claimed at any time during the month by downloading the benefit to their SmartTrip card at METRO Passes/Fare cards machines. Existing balances will remain on your card. Benefits may not be claimed for past or future month.
6. Funds may not be removed from a SmartTrip card once they have added them to a SmartTrip account. If participants change agencies or leave Federal service it is their personal responsibility to financially complete their benefit obligations based on specific agency policies.
7. Federal employees must have a **METRO REGISTERED** SmartTrip card and provide the serial number of the card. If you have not registered your card or are unsure that it is registered, you may do so by calling METRO at (202) 962-5719.
8. All participants must provide a **legible** photocopy of the **back** of their registered SmartTrip card with their completed application.
9. Applications must include all required information for program participation.
10. The Smarttrip team will process applications, register Smarttrip cards, and complete initial Vanpool participation registration through WMATA.com for all thoroughly completed applications.
11. **SmartTrip members MUST inform WMATA.com and the Smart Benefits team if they leave or change their registered vanpool before the end of the last month of riding. Riders are responsible for canceling vanpool participation**

If you don’t currently have a SmartTrip card, you can purchase one via mail, online, or at Metro’s sales offices and area transit stores. **Be sure to register it at time of purchase.**

# **DOT Transerve Smart Benefits Application**



New\_\_\_ Withdrawal\_\_\_ Change\_\_\_

**What type of Mass Transportation do you use? Please circle**

**Metro Rail                  Metro Bus (SmarTrip reader installed)                  Registered Vanpool**

➤ **What Federal agency are you employed by**\_\_\_\_\_

**Van Pool Operator/Company**\_\_\_\_\_

**Van Pool registration number with WMATA**\_\_\_\_\_

All information required below must be clearly legible to assure accurate data processing of program participation

**First /Last Name:** \_\_\_\_\_ **DOB: mm/dd/yy**\_\_\_\_\_

**Work E-Mail Address:** \_\_\_\_\_

**Address (must match Smartrip card registration address, including zip code)**

\_\_\_\_\_

\_\_\_\_\_

**Last Four SSN:** \_\_\_\_\_ **Work Phone:** \_\_\_\_\_

**Applicant Signature:** \_\_\_\_\_

**Monthly Transit Cost NOT including parking: \$**\_\_\_\_\_

**Registered Smartrip card #** \_\_\_\_\_

**5 digit password for SmarTrip card registration in WMATA**\_\_\_\_\_

**Please attach a copy of the back of your SmarTrip card with the serial number showing clearly with this application.**

---

**To be filled out by  
Agency Transit Coordinator**

**Authorizing Signature**\_\_\_\_\_ **Admin/Agency Code**\_\_\_\_\_

**Authorized Starting Month**\_\_\_\_\_ **Authorized Smart Benefit Subsidy Amount**\_\_\_\_\_

**PRIVACY ACT STATEMENT:** This information is solicited under authority of Public Law 101-509. Furnishing the information on this form is voluntary, but failure to do so may result in disapproval of your request for a public transit fare benefit. The purpose of this information is to facilitate timely processing of your request, to ensure your eligibility, and to prevent misuse of the funds involved. This information will be matched with lists at other Federal agencies of Government-assigned parking to ensure consistency with mode of transportation checked.

April 2004 (Revised)  
(Other forms obsolete)

October 4, 2005

SUBJECT: Unnumbered Letters and Administrative Notices

TO: National Office Officials

This memorandum is to reiterate the policy that currently exists for the use of Unnumbered Letters (UL) and Administrative Notices (ANs) that can be found in RD Instructions 2006-A, "National Directives," 2006-D, "Managing and Processing National Office Directives," and 2030-C, "Written Communications--National Office." All ULs and ANs must be cleared through the Regulations and Paperwork Management Branch (RPMB).

ULs are considered to be any written communication in the memorandum format addressed to all State Directors, National Office Officials, all Rural Development employees, all National Office employees, or all field office employees. ULs can be used to provide general information. They may not be used to establish, change, or modify authorized directives. Clear ULs with interested Rural Development staff offices or officials before submitting to RPMB. Send ULs and Form RD 2006-6, "Clearance and Routing of Rural Development Issuance," to RPMB for review and clearance **before** submitting for signature.

ANs may be used to make temporary clarifications to existing Instructions and **are not to be** used for policy changes and **are not to be** reissued year after year. Clear ANs with interested Rural Development staff offices or officials before submitting to RPMB. Send ANs and Form RD 2006-6 to RPMB for review and clearance **before** submitting for signature. If legal matters are involved, clear ANs with the Office of the General Counsel (OGC) after RPMB review.

All ULs and ANs must contain an expiration date and filing instructions at the bottom of the first page of the document. The expiration date is good for one year. If an AN still contains valid information after its expiration date, it must be incorporated into the Instruction by the appropriate program office.

EXPIRATION DATE:  
September 30, 2006

FILING INSTRUCTIONS:  
Administrative/Other Program

If you have any further questions or concerns regarding the processing of ULs and ANs, please contact Brigitte Sumter, RPMB, on 692-0042.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on **10/04/2005** at **1:45 p.m.** by the Support Services Division.  
National Office Officials should advise other personnel as appropriate.

October 5, 2005

TO: State Directors  
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Russell T. Davis (Signed by Russell T. Davis)  
Administrator  
Rural Housing Service

SUBJECT: 7 CFR Part 3560  
Multi-Family Housing (MFH) Programs  
Guidance for Fiscal Year (FY) 2005 Financial Reporting

In light of the unforeseen and unprecedented response to Hurricane Katrina by Rural Development and the delayed receipt of the Engagement Letter from the Office of Inspector General (OIG), the implementation of 7 CFR 3560.308(b), "Engagement Requirements," until June 30, 2006, will be as follows. This letter provides guidance for the borrowers' financial reporting for Fiscal Year (FY) 2005, which will be the same requirements as the previous RD Instruction 1930-C.

**For FY 2005, all projects will submit financial reports as follows:**

Form RD 3560-7, "Multiple Family Housing Project Budget/Utility Allowance." An annual report of actuals for the full operating year will be submitted by the borrower, or its agent, using Form RD 3560-7. The report will reflect the actual income and expenses for the project for the borrower's 12 month operating year. The actuals must be submitted using the same format as was used to submit the proposed FY 2005 budget. The report will be submitted with the annual audit report or Form RD 3560-10 as appropriate.

Miscellaneous Management Reports. These reports include, but are not limited to, the following items that provide additional or unique information that augment or otherwise support other management reports described in this section:

Minutes of annual meetings. Written record of annual meeting of organizational borrowers who, by their organizational charter, are required to maintain such written records.

EXPIRATION DATE: September 30, 2006

FILING INSTRUCTIONS:  
Housing Programs



Miscellaneous items. These include other written or electronically stored data or information such as financial or income/expense data, justification statements, or other technical or informative material that stands alone or supports other management reports described in this section, whether volunteered by the borrower or requested by the Servicing Official.

**For FY 2005, projects with 24 units or less.**

Form RD 3560-10, "Multi-Family Housing Borrower Balance Sheet." Form RD 3560-10 will be used for the verification of review of project accounts and the review verifier will also review the actual data on Form RD 3560-7 for projects with 24 or fewer units unless the State Director or Servicing Official determines that a project with 24 or fewer units requires an audit for reasons of good cause. Such reasons include, but are not limited to, situations where project records are incomplete or inaccurate, or it appears that the borrower has not adequately accounted for project funds, or where the borrower's operation consists of multiple projects where each project is 24 or fewer units (with subsidiary reports prepared for each project).

The State Director or Servicing Official may authorize the initial verification of review to cover a period up to 18 months for a new project whose first operating year was less than 6 months.

Form RD 3560-10 will be prepared by a competent person qualified by education and/or experience who has no identity of interest or possible conflict of interest with the borrower or its principals. However, in the case of a nonprofit institution, the verification of review may be made by a committee of the membership but may not include any officer, director or employee of the borrower.

Fraud, abuse, and illegal acts. If the review verifier becomes aware of any indication of fraud, abuse or illegal acts in Rural Development financed projects, prompt written notice shall be given to the appropriate USDA OIG Regional Inspector General and the Servicing Official.

**For FY 2005, projects with 25 units or more, in addition to the requirements outlined above, an annual audit report is required.**

An audit report will be in the format as prepared by a Certified Public Accountant (CPA) or Licensed Public Accountant (LPA), provided the LPA was licensed on or before December 31, 1970.

All audits are to be performed in accordance with generally accepted government auditing standards (GAGAS), as set forth in "Government Auditing Standards" established by the Comptroller General of the United States, and any subsequent revisions (this publication is commonly referred to as the "Yellow Book" or "General Accounting Office Standards"). The 2003 revision of "Government Auditing Standards" or "Yellow Book" may be downloaded from [www.gao.gov](http://www.gao.gov). In addition, the audits are also to be performed in accordance with applicable portions of various Office of Management and Budget (OMB) Circulars.

The project audit report should cover the borrower entity and the expense for preparation of the audit report may include the auditor's preparation of any Internal Revenue Service (IRS) required borrower entity reports, i.e., Schedule K-1 (IRS Form 1065), "Partner's Share of Income, Credits, Deductions, etc."

The CPA or LPA auditor who prepares the audit report may not be an individual or organization that is associated with the borrower in any manner, other than the performance of the audit review and preparation of the project audit report and required IRS reports that creates an identity of interest or possible conflict of interest. For example, the CPA or LPA auditor may not be an employee of the borrower or an employee of any officer of the organization, nor be an employee of any member, stockholder, partner, principal, or have any ownership or other interest in the borrower organization.

The State Director or Servicing Official may authorize the initial audit report to cover a period up to 18 months for new projects whose first operating year does not exceed 6 months. The State Director may also make an exception to the CPA or LPA audit requirement for not more than one successive year in a specific case providing: the borrower submits a written request; the Agency approved budget for the project includes a typical and reasonable fee for the audit but the negotiated cost of an audit would increase the monthly per unit rental rate by more than \$4.00; and the required reports, including a CPA or LPA prepared audit, were properly submitted for the prior year's project operations.

Fraud, abuse, and illegal acts. If the review verifier becomes aware of any indication of fraud, abuse or illegal acts in Rural Development financed projects, prompt written notice shall be given to the appropriate USDA OIG Regional Inspector General and the Servicing Official.

Specific standards: State and local governments, Indian tribes and Nonprofit Organizations.

These organizations are to be audited in accordance with 7 CFR part 3052, with copies of the audit being forwarded by the borrower to the Servicing Official and the appropriate Federal cognizant agency for audit, if applicable. "Cognizant agency for audit" is defined in 7 CFR 3052.105. Within USDA, the USDA OIG shall fulfill "cognizant Agency for audit" responsibilities.

For guidance in meeting these requirements, the auditor may refer to the American Institute of Certified Public Accountants Audit and Accounting Guide for "Audits of State and Local Governmental Units." The term "Federal financial assistance" used here is defined in 7 CFR 3052.105, but does not include rental subsidies.

**For FY 2005, all projects will submit financial reports by the following due date.**

Annual audit reports, verifications of review, as appropriate, Form RD 3560-7 with 12 months of project operation actuals, and any miscellaneous reports are due in the Servicing Office no later than 90 days following the close of the project fiscal year.

If the audit or verification of review cannot be submitted by the due date, and the owner presents a request for extension supported by evidence that delay is at the request of the auditor, and the request has a reasonable explanation of why an extension of the due date is needed, the Servicing Officer may authorize up to a 60-day extension of the due date. If an explanation is not forthcoming from the auditor, or the explanation received is without good reason, or the Servicing Official otherwise suspects fiscal difficulty, the Servicing Official may request the borrower to submit to the Servicing Office for review, the project bank statements for the general operating, reserve, and investment accounts covering the most recent 60 day period.

If the borrower fails to submit the requested bank statements by the date stipulated by the Servicing Official, the Servicing Official will immediately refer the matter to the OIG.

If you have any questions, please contact Joan Atkinson at (202) 720-1609 or Janet Stouder at (202) 720-9728.

October 7, 005

SUBJECT: Business and Industry Guaranteed Loan Program  
Receipt of Complete Applications

TO: State Directors, Rural Development

ATTN: Business Programs Directors and Rural Development Managers

The purpose of this unnumbered letter is to stress the importance of properly documenting when an application is complete because there are concerns about the timely processing of Business and Industry (B&I) Guaranteed Loan applications.

RD Instruction 4279-B, section 4279.166, states that B&I guaranteed loan applications should be approved or disapproved, and the lender notified in writing not later than 60 days after receipt of a completed application. A complete application is one that contains all required items identified in RD Instruction 4279-B, section 4279.161(b). The date of receipt of a complete application may or may not be the date Form RD 4279-1 or Form RD 4279-1A is received by the Agency, depending upon whether all required materials were submitted with the application form. If application items are received subsequent to the application form, the date when the last of the application items are received is the date the Agency considers an application complete. Please ensure that the date the Agency receives a complete application is documented on the Project Summary and entered correctly into the Guaranteed Loan System (GLS). This will provide a more accurate reflection of loan processing timeframes.

As an example, if a lender and applicant submit Form RD 4279-1 dated July 31, 2005, with all attachments except the feasibility study, and the feasibility study is not submitted to the Agency until August 30, 2005, the date of a complete application is August 30, 2005. Thus, the August 30<sup>th</sup> date is the date to be entered into GLS and documented on the Project Summary.

If you have any questions, please contact the B&I Division at (202) 690-4103.

*(Signed William F. Hagy III)*

WILLIAM F. HAGY III  
Deputy Administrator  
Business Programs

EXPIRATION DATE:  
September 30, 2006

FILING INSTRUCTIONS:  
Community/Business Programs

October 7, 2005

TO: All State Directors  
Rural Development

ATTN: Rural Housing Program Directors,  
Guaranteed Rural Housing Specialists,  
Rural Development Managers, and  
Community Development Managers

FROM: David J. Villano *(Signed by Mike Feinberg)*  
Deputy Administrator  
Single Family Housing

SUBJECT: Replacement of Issuance Regarding Changes to Single Family  
Housing (SFH) Appraisal Forms

The issuance replaces the unnumbered letter dated June 10, 2005, regarding changes to SFH appraisal forms. That letter stated that effective November 1, 2005, the new Fannie Mae and Freddie Mac Uniform Residential Appraisal Report (URAR) would replace Form RD 1922-8, "Uniform Residential Appraisal Report".

Until further notice, the Agency will accept Form RD 1922-8. The use of the new form is optional for loan transactions that do not involve Fannie Mae and Freddie Mac. For these type transactions, the appraisers may use the new forms without revisions, or they may continue to use Form RD 1922-8. Additional guidance for Guaranteed Rural Housing loans is being provided under separate cover.

Appraisals for loan origination must always indicate an exterior inspection was performed for all comparable sales. Below, please find a summary of the changes.

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Housing Programs

**The URAR** (FNMA Form 1004/FHLMC Form 70). The revised form excludes information on manufactured homes and condominiums. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1004.pdf>

[http://www.freddiemac.com/sell/forms/pdf/70\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/70_0305.pdf)

**The Manufactured Home Appraisal Report and addendum** (FNMA Form 1004C/FHLMC Form 70B) have been combined into one appraisal report. The two documents will be one and the same. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1004c.pdf>

[http://www.freddiemac.com/sell/forms/pdf/70b\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/70b_0305.pdf)

**The Individual Condominium Unit Appraisal Report** (FNMA Form 1073/FHLMC Form 465) has been revised; this property type is no longer indicated on the URAR. The revised form excludes exterior inspections. Appraisals with interior inspections for condominiums should be completed on this form. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1073.pdf>

[http://www.freddiemac.com/sell/forms/pdf/465\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/465_0305.pdf)

**The Exterior-Only Inspection Individual Condominium Unit Appraisal Report** (FNMA Form 1075/FHLMC Form 466) has been created for appraisals of condominiums with exterior inspections only. SFH will not use this form for originating mortgage loans. It may be used during servicing or foreclosures when applicable. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1075.pdf>

[http://www.freddiemac.com/sell/forms/pdf/466\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/466_0305.pdf)

**The Exterior-Only Inspection Residential Appraisal Report** (FNMA Form 2055/FHLMC Form 2055) has been created for appraisals with exterior inspections only. SFH will not use this form for originating mortgage loans. It may be used during servicing or foreclosures when applicable. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/2055.pdf>

[http://www.freddiemac.com/sell/forms/pdf/2055\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/2055_0305.pdf)

**The Appraisal Update and/or Completion Report** (FNMA Form 1004D/FHLMC Form 442) has been revised. It now includes sections for property information, the summary appraisal update, the certification of completion, and for signatures. This form should also include photographs when applicable. This form can be found at the following websites:

<http://www.efanniemae.com/sf/formsdocs/forms/pdf/sellingtrans/1004d.pdf>

[http://www.freddiemac.com/sell/forms/pdf/442\\_0305.pdf](http://www.freddiemac.com/sell/forms/pdf/442_0305.pdf)

If you have any questions regarding this letter, please contact Joaquin Tremols at (202) 720-1465 or [joaquin.tremols@wdc.usda.gov](mailto:joaquin.tremols@wdc.usda.gov). You may also contact Cathy Glover at (202) 720-1460 or [cathy.glover@wdc.usda.gov](mailto:cathy.glover@wdc.usda.gov).

October 13, 2005

SUBJECT: Faith-Based and Community Initiatives Reporting System  
“Stories of Lives Transformed” (Success Stories)

TO: Rural Development State Directors

ATTN: Faith-Based and Community Initiatives Coordinators/Alternates  
Administrative Program Directors

The Department Faith-Based and Community Initiatives (FBCI) Office has provided us with FY 2006 First Quarter Goals. Rural Development is being asked to submit five (5) “Stories of Lives Transformed” per quarter. Stories submitted should be tied to financial assistance provided to a Faith-Based or Community Organization, a non-profit secular or faith-based group. In an effort to meet this goal and ensure that we have complete data for FY 2005, please take the following steps:

- Review all financial data input for FY 2005 with your Program Directors for accuracy and to see if there is a success story that should be input. Stories are input through the Financial Assistance data entry screen.
- Review prior year data reported with your Program Directors and forward any success stories. (These will not be entered in the system as there is no FY 2004 data available)

Rural Development is unique from other USDA Agencies participating in the FBCI, as it can often take a year or more from award of the financial assistance before a project is completed and individuals can be impacted.

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

The Department needs the following information for all FBCI success stories:

- 1) Vitals about the organization (contacts, address, how many it serves, brief description of organizations activities).
- 2) A reference to how the program is connected to the Faith-Based and Community Initiatives and how it has benefited from that connection.
- 3) A narrative or personal story of a life/lives transformed by the program as a result of the FBCI/USDA assistance. If applicable, the narrative should contain a description of the scope of the financial assistance and how many people it is helping.

In addition to the success stories, if available, the Department would also like to have copies of any additional quotes from program beneficiaries and photos (with appropriate releases). Quotes from individual beneficiaries would best (e.g. family able to purchase new home through Mutual Self-Help), but quotes from others also work well (e.g. manager of a multi-family housing complex). Photos, quotes, and releases will need to be emailed, faxed, or mailed.

**Please be sure all stories entered in the system or mailed have been reviewed by the Program Director, Public Information Coordinator, and the State Director. All stories must go through the vetting process and be able to withstand media scrutiny.**

Your assistance in achieving our FBCI goals is greatly appreciated. If you have any questions, please feel free to contact Rhonda Brown, FBCI Coordinator at (202) 692-0298, email [rhonda.brown@wdc.usda.gov](mailto:rhonda.brown@wdc.usda.gov). Please Note: New (FBCI) Fax number is (202) 260-0885

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on **10/14/05** at **7:00 a.m.** by the Office of the Deputy Administrator for Operations and Management



October 14, 2005

SUBJECT: Interest Rate Changes for Housing Programs  
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,  
Rural Development Managers,  
and Area Directors

ATTN: Rural Housing Program Director

The following interest rates, effective November 1, 2005, are changed as follows:

<b><u>Loan Type</u></b>	<b><u>Existing Rate</u></b>	<b><u>New Rate</u></b>
-------------------------	-----------------------------	------------------------

**ALL LOAN TYPES**

Treasury Judgement Rate	3.880%	3.970%
-------------------------	--------	--------

The current rate shown above is as of the week ending September 30, 2005. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve web site for the weekly average 1-year Constant Maturity Treasury yield ([www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt](http://www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt)).

**RURAL HOUSING LOANS**

Rural Housing (RH) 502		
Low or Moderate	5.375	5.375

EXPIRATION DATE:  
November 30, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	5.875	5.875
Rural Housing Site (RH-524), Non-Self-Help	5.375	5.375
Rural Rental Housing and Rural Cooperative Housing	5.375	5.375

Please notify appropriate personnel of these rates.

*(Signed by Russell T. Davis)*

RUSSELL T. DAVIS  
Administrator  
Rural Housing Service

Sent by Electronic Mail on 10/17/05 at 4:45 pm by PAD.

October 20, 2005

TO: Rural Development  
State Directors

ATTENTION: Rural Housing Program Directors,  
Program Loan Cost Coordinators and  
Contract Program Managers

FROM: Russell T. Davis (*Signed by Russell T. Davis*)  
Administrator  
Rural Housing Service

SUBJECT: Program Loan Cost Expense Funds  
FY 2006 Allocations and Requirements  
Under the Credit Reform Act of 1990

The Office of Management and Budget (OMB) has approved this year's apportionment of **recoverable** Direct Loan Financing and Liquidating Program Loan Cost Expense (PLCE) funds for the Rural Housing Service (RHS). Your State's **annual** FY 2006 PLCE fund allocations for the Direct Loan Financing and Liquidating Accounts are provided in Attachment 1. Your State's recoverable fund allocations are based on the number of existing 502 Direct loans and 515 projects in your State. These funds have been posted on the Type 60 Foundation Financial Information System (FFIS).

All PLCE funds required in the Community Facilities Program are held in the National Office. Funding for Community Facilities PLCEs should be requested by completing and faxing Attachment 2 to Robert Bogan at (202) 690-0652.

**Attachment 1 also lists your State's Salaries and Expense Account ("A" funds) initial allocation for FY 2006 (also posted on FFIS), under the current Continuing Resolution through November 18, 2005. We will advise you when additional funds in this Account have been authorized for your use. This year's non-recoverable PLCE funds are only authorized for SFH mortgage releases, specific, pre-approved Multi-Family Housing (MFH) appraisals, pre-approved MFH cost certifications, Single-Family Housing (SFH) and MFH wage match, SFH bankruptcy fees,**

EXPIRATION DATE: September 30, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

**and SFH inventory property inspections and interpreter services. No other uses of non-recoverable PLCE funds are allowed without prior National Office permission. Your State's initial "A" funds provided in Attachment 1 should be used for emergency SFH needs only during the Continuing Resolution.**

**When additional "A" funds are authorized, we will be able to make a supplemental allocation for your State. To request specific MFH appraisals and/or cost certifications or to receive guidance on funding policy affecting those items, contact Brett Morgan at (202) 720-1620. For all other emergency needs requiring "A" funds, contact Carl Muhlbauer at (202) 690-2141.**

**We will again need your cooperation in stretching our limited non-recoverable funding this year. Please check the accuracy of the Program Authority Codes (PACs) entered into FFIS for your State's PLCEs. Make sure you use the current PAC Tables (effective August 31, 2005) found on the Rural Development intranet via a link on the Program Support web page, to verify the recoverability of each charge you submit.**

Under provisions of the Credit Reform Act of 1990, each State has three non-transferable accounts to manage. The Direct Loan Financing Account, also referred to as the "R" Account, is used to pay PLCEs that are chargeable to a direct/insured borrower, property account, or subsidy funds in which the loan was obligated in FY 1992 or subsequent years. Mortgage credit bureau reports are charged against "R" funds. The Liquidating Account, also referred to as the "L" Account, is used to pay PLCEs that are chargeable to a direct/insured or guaranteed borrower or property account in which the loan was obligated prior to FY 1992. The oldest outstanding loan provides the basis for determining which recoverable ("L" or "R") Account to charge in the case of multiple loans. The non-recoverable Salaries and Expense ("A") Account is to be used to pay non-recoverable PLCEs that are not chargeable to a borrower, property account, or subsidy funds for all Housing and Community Facility programs.

Funding for PLCEs paid from cash proceeds from a sale and recoverable guaranteed loan expenses are not allocated. If you need to process a recoverable guaranteed program loan cost expense, please contact the Guaranteed Loan Branch of the Finance Office (St. Louis) at (314) 457-4192 for instructions.

Program officials are the only staff authorized to certify PLCE funds availability. Administrative officials (Contract Program Managers, Contract Specialists, Budget Analysts, etc.) are not authorized to certify PLCE funds availability. The Program Loan Cost Coordinator is responsible for monitoring obligations/disbursements of PLCE allocations by account to avoid violation of the Anti-Deficiency Act. Specifically, your State Office Housing Program section is responsible for determining and documenting how

these funds will best be used to meet your program goals and objectives. It is also accountable for the proper use of these funds. State Offices are required to issue a State Administrative Notice identifying a methodology for controlling their funds, naming the program official designated to certify PLCE fund availability, and, if these funds are sub-allocated, distribute them by program and account. **A State should not request additional funding in any of its three PLCE accounts until it has obligated at least 90 percent of its current account funds.**

If field staff have any questions concerning this memorandum, they should contact their State Office. If State Office officials have questions concerning this memorandum, they should contact Carl Muhlbauer, Program Support Staff, at (202) 690-2141.

Attachments (2)

Sent by electronic mail on **11-1-05** at **4:55p.m.** by PSS. State Directors should notify other personnel as appropriate.

## PROGRAM LOAN COST EXPENSE FUNDS

## Housing Programs (RHIF) - FY 2006

State/Territory	Allocations		
	Salaries & Expense	Direct	Liquidating
	Account	Loan Financing Account	Account
Alabama	\$956	\$1,388,055	\$664,024
Alaska	\$137	\$115,591	\$55,947
Arizona	\$473	\$636,880	\$272,719
Arkansas	\$779	\$1,194,695	\$601,169
California	\$1,215	\$1,518,880	\$714,316
Colorado	\$311	\$338,305	\$171,478
Delaware	\$382	\$497,416	\$253,555
Florida	\$977	\$1,493,050	\$694,961
Georgia	\$1,145	\$1,525,185	\$707,325
Hawaii	\$160	\$174,589	\$73,947
Idaho	\$257	\$345,567	\$190,787
Illinois	\$674	\$748,462	\$482,579
Indiana	\$671	\$744,169	\$453,142
Iowa	\$464	\$536,133	\$392,621
Kansas	\$353	\$409,764	\$273,795
Kentucky	\$919	\$1,323,552	\$628,958
Louisiana	\$827	\$1,256,226	\$589,018
Maine	\$447	\$749,285	\$386,130
Massachusetts	\$362	\$499,134	\$228,872
Michigan	\$832	\$790,309	\$516,107
Minnesota	\$481	\$343,610	\$335,198
Mississippi	\$1,556	\$3,079,757	\$1,301,392
Missouri	\$747	\$874,531	\$600,014
Montana	\$206	\$254,895	\$147,135
Nebraska	\$240	\$261,032	\$183,332
Nevada	\$79	\$75,255	\$53,086
New Hampshire	\$180	\$212,874	\$104,574
New Jersey	\$233	\$400,483	\$178,786
New Mexico	\$388	\$512,413	\$224,426
New York	\$830	\$859,747	\$464,553
North Carolina	\$1,501	\$1,937,076	\$910,776
North Dakota	\$148	\$207,951	\$154,996

<b>Ohio</b>		<b>\$865</b>	<b>\$813,801</b>	<b>\$424,084</b>
<b>Oklahoma</b>		<b>\$591</b>	<b>\$766,447</b>	<b>\$376,053</b>
<b>Oregon</b>		<b>\$434</b>	<b>\$494,022</b>	<b>\$249,112</b>
<b>Pennsylvania</b>		<b>\$1,051</b>	<b>\$1,089,347</b>	<b>\$499,943</b>
<b>Puerto Rico</b>		<b>\$1,013</b>	<b>\$2,333,214</b>	<b>\$887,109</b>
<b>South Carolina</b>		<b>\$972</b>	<b>\$1,516,526</b>	<b>\$665,082</b>
<b>South Dakota</b>		<b>\$183</b>	<b>\$210,357</b>	<b>\$234,043</b>
<b>Tennessee</b>		<b>\$986</b>	<b>\$1,398,118</b>	<b>\$638,222</b>
<b>Texas</b>		<b>\$2,009</b>	<b>\$2,398,027</b>	<b>\$1,132,126</b>
<b>Utah</b>		<b>\$170</b>	<b>\$251,606</b>	<b>\$121,587</b>
<b>Vermont</b>		<b>\$186</b>	<b>\$264,461</b>	<b>\$141,655</b>
<b>Virgin Islands</b>		<b>\$88</b>	<b>\$147,837</b>	<b>\$60,343</b>
<b>Virginia</b>		<b>\$894</b>	<b>\$1,292,334</b>	<b>\$556,059</b>
<b>Washington</b>		<b>\$466</b>	<b>\$465,467</b>	<b>\$273,935</b>
<b>West Virginia</b>		<b>\$491</b>	<b>\$672,518</b>	<b>\$325,766</b>
<b>Wisconsin</b>		<b>\$558</b>	<b>\$438,390</b>	<b>\$333,896</b>
<b>Wyoming</b>		<b>\$113</b>	<b>\$142,657</b>	<b>\$71,267</b>
<b>Total</b>		<b>\$30,000</b>	<b>\$40,000,000</b>	<b>\$20,000,000</b>

**FISCAL YEAR PROGRAM LOAN COST EXPENSE  
RURAL HOUSING SERVICE - COMMUNITY PROGRAMS**

State: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_

Account: \_\_\_\_\_  
Fax No.: \_\_\_\_\_

Program Authority Code (PAC):

\_\_\_\_\_ (Loan Program)

\_\_\_\_\_ (General Purpose)

\_\_\_\_\_ (Program Activity)

\_\_\_\_\_ (Detail Description)

Program Authority Required: \_\_\_\_\_ (Indicate Yes/No)

Recoverable \_\_\_\_\_ Non-recoverable \_\_\_\_\_

Description of Request:

\_\_\_\_\_  
\_\_\_\_\_

**CONTRACTUAL**

Inspections \_\_\_\_\_  
Appraisals \_\_\_\_\_  
Analysis and Audits \_\_\_\_\_  
Information Services \_\_\_\_\_  
Other Services \_\_\_\_\_  
Maintenance & Management \_\_\_\_\_  
Repair/Improvement \_\_\_\_\_  
Exclusive Broker \_\_\_\_\_  
Open Listing Broker \_\_\_\_\_  
Environmental \_\_\_\_\_  
Other Field Contracting \_\_\_\_\_  
Credit Bureau Reports \_\_\_\_\_  
**TOTAL** \_\_\_\_\_

**NONCONTRACTUAL**

Advertising \_\_\_\_\_  
Real Estate Taxes \_\_\_\_\_  
Insurance \_\_\_\_\_  
(including flood) \_\_\_\_\_  
Other (Explain) \_\_\_\_\_  
Utilities \* \_\_\_\_\_  
**TOTAL** \_\_\_\_\_

\* Attach copies of vouchers and/or documents.

\_\_\_\_\_  
State Program Director

Concurrence: \_\_\_\_\_ Date: \_\_\_\_\_  
Associate Administrator/Deputy Administrator

**TO BE COMPLETED BY NATIONAL OFFICE:**

Account Balance after this obligation: \_\_\_\_\_

Initials: \_\_\_\_\_

Date: \_\_\_\_\_



October 22, 2005

TO: State Directors  
Rural Development

ATTN: Multi-Family Housing (MFH) Program Directors, Coordinators,  
and Specialists, State Architects, and Construction Analysts

FROM: Russell T. Davis                      *(Signed by Russell T. Davis)*  
Administrator  
Rural Housing Service

SUBJECT: Guidance on the Capital Needs Assessment Process

## **Introduction**

This Unnumbered Letter (UL) is to provide guidance on the Rural Development Capital Needs Assessment (CNA) process. This guidance is comprised of four main sections: 1) References to CNA in 7 CFR Part 3560 and the Handbooks; 2) Requirements and Scope of Work for a CNA; 3) The CNA Review Process; and 4) Guidance for the MFH Property Owner Regarding Contracting for a CNA. There are six attachments to this UL, Attachments A, B, C, D, E, and F.

## **References to CNA in 7 CFR Part 3560 and the Handbooks**

A comprehensive list of references to a Capital Needs Assessment, or CNA, found in 7 CFR Part 3560, HB-1-3560, HB-2-3560, and HB-3-3560 is found in Attachment A, *References to Capital Needs Assessment (CNA) in 7 CFR Part 3560 and Handbooks*. These references include information on situations for which a CNA is required, suggested uses of a CNA, general requirements for a CNA, sources of funding for a CNA, and situations in which a CNA may be performed by the Agency.

## **Requirements and Scope of Work for a CNA**

Rural Development's requirements for a Capital Needs Assessment can be found in Attachment B, *Capital Needs Assessment Statement of Work*, and Attachment C, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*.

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Housing Programs

Attachment B, *Capital Needs Assessment Statement of Work (CNA SOW)*, requires that a CNA be prepared in accordance with Attachment C, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*. Attachment B is consistent with Attachment C, except for a few requirements. To resolve any inconsistency in the two documents, Attachment B will in all cases prevail over Attachment C.

Attachment B, the CNA SOW, includes the required qualifications for the CNA provider, the required scope of work for a CNA assignment, and general distribution and review instructions to the CNA provider. To be acceptable to Rural Development, a contract for a CNA between the property owner and the CNA provider must include Attachment B.

Attachment C, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*, is a three-part document that was developed jointly by Fannie Mae and On-Site Insight, Inc. Rural Development has permission from both to use this guidance. However, On-Site Insight has placed restrictions on Rural Development's use of the document. Please note the restrictive use language on the cover page of the guidance to the property evaluator. Attachment C has three components: 1) guidance to the property evaluator; 2) expected useful life tables; and 3) a set of forms. The guidance to the property evaluator includes general instructions on the scope of work for a CNA report and specific instructions on how to use the expected useful life tables and the set of forms. There are three types of forms: 1) Terms of Reference form; 2) Systems and Conditions forms; and 3) Evaluator's Summary forms.

Attachment D, *Accessibility Laws and Requirements*, outlines the federal accessibility laws, regulations, and standards that apply to Section 515 and Section 514/516 Multi-Family Housing properties. The CNA provider should use Attachment D as a guide in assessment of how the property meets the requirements for accessibility to persons with disabilities. The CNA report must include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and local laws and requirements on accessibility. The report must also include an opinion on the adequacy of any existing and approved transition plans for the property. Attachment D contains general information that will help the CNA provider comply with these requirements.

### **The CNA Review Process**

A CNA used by Rural Development will be reviewed by a designated CNA reviewer in the Rural Development Office. The CNA reviewer should be an architect, construction analyst, appraiser, or other staff member with education, training, and experience in construction, rehabilitation, and repair of Multi-Family Housing properties.

A CNA report must be obtained by the property owner from a third party CNA provider that has no identity of interest, as defined in 7 CFR Part 3560, unless the CNA is performed by the Agency in accordance with HB-3-3560, Attachment 7-A. The property owner will contract with the CNA provider and is therefore the client of the provider. However, the owner must consult with Rural Development before contracting with a CNA provider. (See the following section of

this UL, *Guidance for the MFH Property Owner Regarding Contracting for a CNA*.) The Rural Development CNA reviewer will use Attachment E, *Capital Needs Assessment Guidance to the Reviewer*, to evaluate a proposed agreement or engagement letter between the owner and a CNA provider. If the proposed agreement is acceptable, the reviewer should advise the appropriate Rural Development official, who will in turn inform the owner. If the proposed agreement is unacceptable, the reviewer must write a letter to the owner, or directly to the CNA provider, that identifies actions necessary to make the proposed agreement acceptable to the Agency. If the proposed provider satisfactorily corrects the proposed agreement, the reviewer should advise the appropriate Rural Development official that the agreement should be accepted. The proposed fee for the CNA must be reasonable for the agreement to be acceptable.

Preliminary and final versions of the CNA report are subject to review by Rural Development. The CNA reviewer will review a preliminary CNA report delivered to Rural Development by the CNA provider. The reviewer should use Attachment E, *Capital Needs Assessment Guidance to the Reviewer*, which includes a checklist, to review the preliminary CNA report and Attachment F, *Sample Capital Needs Assessment Review Report*, to write the preliminary CNA review report. The preliminary CNA review report will be delivered to the Rural Development loan official, and the CNA reviewer and the loan official should discuss the reviewer's conclusions. The loan official should then notify the owner in writing of any revisions that are necessary to make the CNA report acceptable to the Agency. The CNA provider must deliver a final CNA report to Rural Development. The Agency reviewer must review the final CNA report to determine that the necessary revisions have been made and that the report is acceptable to Rural Development. The reviewer must write a final CNA review report and deliver it to the loan official.

### **Guidance for the MFH Property Owner Regarding Contracting for a CNA**

The National Office has compiled a directory of CNA providers that have expressed interest in writing CNAs to be used by Rural Development. This directory will be updated periodically. To be added to it, CNA providers should contact Brett Morgan ([brett.morgan@wdc.usda.gov](mailto:brett.morgan@wdc.usda.gov); 202-720-1620). Rural Development will not screen CNA providers in order to add them to the directory, and CNA providers in the directory are not approved by Rural Development. However, providers that are determined to be unqualified or that repeatedly submit poor quality reports will be dropped from the directory. Rural Development Offices will obtain a current copy of the directory of CNA providers and forward it to the MFH property owner at the time a CNA is to be contracted. Property owners are advised to request an information package from several CNA providers and to evaluate the information in order to select a provider. The information package should include a completed questionnaire, a list of qualifications, a list of references, a client list, and a sample CNA report.

The property owner's proposed agreement with a CNA provider must be consistent with Rural Development's requirements for the qualifications of the provider and CNA scope of work, as specified in Attachment B, *Capital Needs Assessment Statement of Work*. The Rural Development Office must review and accept the proposed agreement between the owner and the CNA provider. (See the previous section of this UL, *The CNA Review Process*.)

## **Conclusion**

Program Support Staff in the National Office is currently developing a Power Point presentation that can be used by the States to train staff and owners/managers on the CNA process. Please contact Keith Suerdieck ([keith.suerdieck@wdc.usda.gov](mailto:keith.suerdieck@wdc.usda.gov); 202-720-9651) to request the file.

A Procedure Notice that will incorporate this guidance into one of the 3560 handbooks will follow this UL. Handbook procedures regarding the Capital Needs Assessment process will be revised over time as Rural Development continues to learn how to improve it. Any suggestions, comments, or questions on the current guidelines should be directed to Brett Morgan, Review Appraiser with the MFH Processing Division in the National Office, 202-720-1620.

## **Attachments**

## REFERENCES TO CAPITAL NEEDS ASSESSMENT (CNA) IN 7 CFR PART 3560 AND HANDBOOKS

A comprehensive list of references to a Capital Needs Assessment or CNA found in 7 CFR Part 3560, HB-1-3560, HB-2-3560, and HB-3-3560 follows. These references include information on situations for which a CNA is required, suggested uses of a CNA, general requirements for a CNA, sources of funding for a CNA, and requirements for a CNA performed by the Agency.

### *7 CFR Part 3560*

- 3560.11 – A definition of “Capital Needs Assessment” is included in the definitions section.
- 3560.103(c)(2) - A CNA is required if a borrower requests an increase in the project’s reserve account. The cost of the CNA will be approved as an eligible project expense.
- 3560.103(c)(4) - Borrowers may request an increase in the amount contributed to and held in the reserve account, based on a CNA, as part of the annual budget process.
- 3560.103(c)(5) - Borrowers may request amendments to loan or grant documents to increase the amount contributed to and held in the reserve account, based on a CNA.
- 3560.306(j) - The Agency may approve a change in the reserve account funding level, based on a CNA.
- 3560.406(d)(5) - A CNA is required to identify a project’s repair and rehabilitation needs in a transfer or a sale with an assumption of the Agency loan.
- 3560.656(e) - In the preservation process, when an incentive is developed, the Agency must consider the project’s capital needs, based on a CNA.

### *HB-1-3560, MFH Loan Origination Handbook*

- HB-1-3560, Ch. 4, Sec. 3, ¶ 4.18(C)(2) - A CNA should be included in a Stage I application as the basis for the annual contribution to the reserve account. The CNA will be reviewed to determine if the recommended reserves are sufficient to cover the projected capital needs. The annual contribution to the reserve account is not to exceed the amount shown in the CNA.

### *HB-2-3560, MFH Asset Management Handbook*

- HB-2-3560, Ch. 4, Sec. 3, ¶ 4.14 - The Agency may approve a change in the reserve account funding level based on a CNA.
- HB-2-3560, Ch. 4, Sec. 4, ¶ 4.20(B) - The Loan Servicer will review the CNA, if available, to assess the borrower’s annual capital expenditure budget.
- HB-2-3560, Ch. 5, Sec. 2, ¶ 5.7, *Capital Needs Assessment* – A. Overview

- HB-2-3560, Ch. 5, Sec. 2, ¶ 5.7, *Capital Needs Assessment* – B. General Criteria:
  - A CNA should be prepared at a reasonable cost by a qualified provider.
  - A CNA should be prepared according to accepted industry standards.
  - A CNA should include the detailed items listed on Form RD 3560-11, *MFH Physical Inspection Report*.
  - A CNA assessment period should be between 10 and 20 years.
  - Estimated repair and replacement costs and expected useful life spans of components/systems in a CNA should be based on nationally recognized data sources (e.g., RS Means *Repair and Remodeling Cost Data*).
- HB-2-3560, Ch. 5, Sec. 2, ¶ 5.7, *Capital Needs Assessment* – C. CNA required:
  - When ownership of the project is transferred;
  - When the loan is reamortized;
  - When there is a writedown of the project loan; or
  - At the borrower's request.

*HB-3-3560, MFH Project Servicing Handbook*

- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(a)
  - When repair and rehabilitation issues are anticipated, an independent CNA is to be obtained to determine the capital needs of the project and any necessary adjustments to the reserve account.
  - The cost of a CNA may be funded from the project's reserve or operating account if funds are available and the cost and quality of the CNA are acceptable to the Agency.
  - To be acceptable to the Agency, a CNA must include the following:
    - A physical inspection of the site, architectural features, common areas, and all electrical and mechanical systems;
    - A unit by unit inspection;
    - Identification of repair and/or replacement needs;
    - A cost estimate of the repair and replacement expenses;
    - An analysis, over a period of at least 10 years, of the timing and funding for identified capital needs that includes reasonable assumptions regarding inflation.
  - If the cost or availability of qualified independent contractors prevents or delays the completion of a CNA, the Agency may perform this function.
    - A contracted CNA should be financially feasible for any project over 20 units.
    - When the Agency performs the CNA, it will be done with the participation of the State Architect or, if unavailable, a contract architect or State Architect from a neighboring State.
    - A CNA should generally be completed within 12 months prior to the revitalization transaction.
  - When substantial repair/rehabilitation issues are anticipated, the State Architect and Civil Rights Coordinator are to participate in the CNA or other on-site inspection.

- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(c) - When equity is paid in a transaction, reserve account funds being transferred are one of the prioritized sources for repairs and rehabilitation. Post-transaction reserve account levels and funding must be adjusted in accordance with a CNA.
- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(d) - When rehabilitation and repairs are not needed immediately at the time of a transaction, funding to the reserve account may be increased according to the capital needs identified in a CNA.
- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Effective Processing Strategies (3)(b) - A goal should be to establish a process in which only one formal CNA is used by all parties to the revitalization transaction to determine the capital needs of the project.
- HB-3-3560, Attachment 7-B-1, *Application Checklist*, Part 1(10) - The rehabilitation plan should be developed using a CNA.
- HB-3-3560, Attachment 7-B-4, *MFH Transfer and Assumption Contacts List* - The form includes space for contact information for the applicant's CNA provider.
- HB-3-3560, Ch. 10, Sec. 3, ¶ 10.22 - For work-out agreements, a CNA can be used to reassess the reserve level for a project and establish a new reserve level.

# **CAPITAL NEEDS ASSESSMENT STATEMENT OF WORK**

## **Qualifications:**

The Contractor must:

1. Have no identity of interest, as defined in 7 CFR Part 3560.
2. Be trained in evaluating site and building systems, health and safety conditions, physical and structural conditions, environmental and accessibility conditions, and estimating costs for repairing, replacing, and improving site and building components.
3. Be professionally experienced in preparing and providing CNAs for multifamily housing properties similar in scope and operation to those typically financed in USDA/Rural Development's Section 515 Program.
4. Be knowledgeable of applicable site and building standards and codes, including federal, state, and local requirements on environmental and accessibility issues.
5. Not be debarred or suspended from participating in Federally-assisted programs.

## **Statement of Work:**

The Contractor shall:

1. Prepare a Capital Needs Assessment (CNA) in accordance with the document: "Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator," except as modified herein.
2. The CNA shall include the following major components:
  - a. Physical inspection of the property. A minimum of 25% (20% if property includes 50 or more units) of all dwelling units shall be inspected in a non-intrusive manner. At least one unit per floor, per building, and per unit type (one-bedroom, two-bedroom, etc.) shall be inspected. All site improvements, common facilities, building exteriors, and units accessible for the handicapped shall be inspected. The inspections shall include a review



of any pertinent documentation, i.e. repair/replacement records and as-built drawings, and interviews with the property owner, management staff, and tenants as needed.

- b. **Repair / Replacement Schedule.** This schedule identifies when each material line item needs to be repaired or replaced. It shall not include minor, inexpensive (annual aggregated costs for the material line item is less than \$2,000) repairs or replacements, or maintenance items that are part of a prudent property owner's operating budget. It shall be realistic and based on due diligence and consideration of the property's condition, welfare of the tenants, and logical construction methods and techniques. It shall be developed for the following key items:
    - i. **Immediate Capital Needs** - All critical health and safety deficiencies requiring immediate corrective action.
    - ii. **Capital Needs Over the Term** – Significant maintenance, repairs, and replacement items required during years 1 through 20 to maintain the property's physical integrity and long term marketability. It shall include repairs, rehabilitation, replacements, and significant deferred maintenance items currently being planned or accomplished, and corrections for violations of applicable standards on environmental and accessibility issues.
  - c. **Estimated Costs.** The estimated unit costs and total costs to remedy the detailed needs shall be provided in current (uninflated) dollars. The total costs for each year and grand total costs shall be provided in current and inflated dollars. The inflation rate shall be based on the most recent twelve-month Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics.
  - d. **Executive Summary.** A summary discussion of the physical condition of the property and any major repair, rehabilitation, or replacement needs observed. Bar graphs, pie charts, and other graphic presentations may also be used to illustrate this information. It shall include:
    - i. **Summary of Immediate Capital Needs** – include the grand total cost and the grand total cost per dwelling unit.
    - ii. **Summary of Capital Needs Over the Term** – include the annual costs, grand total cost, and grand total cost per dwelling unit (all in current and inflated dollars).
    - iii. **Summary of All Capital Needs** – include the grand total cost and grand total cost per dwelling unit (all in current and inflated dollars) for the immediate and over the term capital needs.
3. The CNA shall include the following items:
- a. A detailed narrative description of the property, including name, location, year constructed or rehabilitated (of each phase if work completed in multiple phases), unit mix, occupancy type (family/elderly), interior and exterior elements, architectural and structural components, mechanical systems, etc.
  - b. Number and types of dwelling units inspected and used as a basis for the findings and conclusions in the report.

- c. An assessment of the following major system groups:
  - i. Site;
  - ii. Architectural;
  - iii. Mechanical and Electrical; and
  - iv. Dwelling Units.
- d. An assessment of all materials and components in the major system groups, including the following items:
  - i. Description;
  - ii. Expected Useful Life (EUL). Any data entry that is not from the Expected Useful Life Table included in “Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator” shall be explained in the report. An EUL that varies from the table by 25% or more must be adequately supported;
  - iii. Age;
  - iv. Current Physical Condition (excellent - good - fair - poor);
  - v. Effective Remaining Life (ERL);
  - vi. Special indication if ERL is significantly (2 years or more) different than the difference between the material’s age and EUL;
  - vii. Field and other notes that are relevant to the report;
  - viii. Description of action needed (repair - replace - maintain - none). All materials and components needing to be repaired, replaced, or special maintenance shall include the following additional items:
    - 1. Special indication if immediate action is required;
    - 2. Special indication if the item is in need of deferred maintenance;
    - 3. Quantity and Unit of Measure. Any data entry that is not from a physical property measurement or observation during the inspection shall be explained in the report;
    - 4. Year or years when action is needed; and
    - 5. Estimated repair, replacement, or special maintenance unit cost and total cost in current (uninflated) dollars for each line item. The report shall identify the source(s) used for the cost data. An estimated unit cost that is significantly different from an industry standard cost (such as RS Means or equivalent) must be adequately supported. All replacement actions shall involve “in-kind” materials, unless a different material is more appropriate and explained in the report.
- e. An assessment of directly observed or potential on-site environmental hazards (e.g., above or below ground tanks that are not in use). The report shall also address and include any existing testing results for the presence of radon, lead in water, lead based paint, and other environmental concerns.
- f. An assessment of how the property meets the requirements for accessibility to persons with disabilities. The report shall include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and

- local laws and requirements on accessibility (see the *Accessibility Laws and Requirements* guide). The report shall also include an opinion on the adequacy of any existing and approved transition plans for the property.
- g. Acknowledgments (names and addresses of persons who: performed the inspection, prepared the report, and were interviewed during or as part of the inspection).
  - h. Recommendations for any additional professional reports as deemed necessary by the Contractor, such as additional investigations on potential structural defects or environmental hazards.
  - i. Appendices. Include color photographs that describe: the property's buildings and other facilities, specific material or system deficiencies, and the bathrooms and kitchens in the existing units for the physically handicapped. Include a property location map and other documents as appropriate to describe the property and support the findings and conclusions in the report.
  - j. A signed certification that the CNA provider meets the qualifications specified in this Statement of Work.
4. A minimum of two copies of the draft report shall be provided to the property owner and Rural Development for review and comments. The Contractor shall revise the report based on the review comments and submit a minimum of two copies of the final report to the property owner and Rural Development. Final acceptance of the report is subject to the review and concurrence of Rural Development.

# **FANNIE MAE PHYSICAL NEEDS ASSESSMENT GUIDANCE TO THE PROPERTY EVALUATOR**

**Used by Permission from Fannie Mae and  
On-Site Insight, Inc. of Needham, MA.**

**Expected Useful Life Tables and Forms Developed for Fannie Mae  
by On-Site Insight ©1991 On-Site Insight, Inc.**

**Use, Reproduction, and Distribution of these Materials May be Made Solely in  
Connection with the Implementation of Rural Development's Rural Rental  
Housing Revitalization Demonstration or Intended Uses within the Rural  
Rental Housing and Farm Labor Housing Programs Related to:**

- 1) Transfer of Project Ownership;**
- 2) Loan Reamortization;**
- 3) Loan Write-down; or**
- 4) Development of an Equity Loan Incentive or  
Equity Loan for a Sale to a Non-profit Sponsor.**

## **Introduction**

While many factors affect the soundness of a mortgage loan over time, one of the most significant is the physical condition of the property - past, present and future. A prudent lender must be concerned with the past maintenance and improvements because they may indicate owner and management practices as well as expenses to be incurred in the future. The lender must be concerned with the condition of the property at the time the loan is made, and over the term of the loan, because property condition may directly impact marketability to prospective tenants and the need for major expenditures may impact the economic soundness and value of the property. The lender must also be concerned with the condition of the property at the end of the loan term. If the property has deteriorated, the owner may not be able to secure sufficient financing to pay off the loan at maturity.

Most lenders have always given some attention to physical conditions and needs of properties in their underwriting. However, the amount of attention, the data secured, the quality and analysis of that data, and the impact of this information on underwriting has varied widely. Indeed, many properties and the loans that they secure are now in trouble because of inadequate consideration of physical needs in the underwriting coupled with inadequate attention to property maintenance which has diminished the marketability and overall value of the property.

The guidance and forms in this package, together with the guidance provided to our lenders in our Delegated Underwriting and Servicing (DUS) and Multifamily Guides, is based upon a desire to see a more standardized approach to assessing the physical needs of properties that will be securing our loans. These documents attempt to respond to stated desires on the part of our lenders for a “level playing field” among competing lenders who may otherwise have different notions of the level of data and analysis required to assess a property’s physical condition. They also attempt to respond to the needs of property evaluators who, desiring to produce the quantity and quality of information deemed necessary, need specific guidance to avoid the appearance of glossing over problems or providing material which is too detailed or complex to be usable by the underwriters.

These documents are meant to provide useful guidance and tools to the evaluators. They cannot cover all situations and are not meant to be inflexible. They are designed to elicit the judgment of the evaluator (in a format which is useful to the underwriter), not to substitute for it. We welcome comments from evaluators in the field, as we did in developing this package, on improving either our forms or guidance so that this package can best serve the needs of both the evaluators and our lenders. If you have such comments, please contact April LeClair, Director of Multifamily Product Management, 3900 Wisconsin Avenue, N.W., Washington, DC 20016 (202-752-7439).

## Specific Guidance to the Property Evaluator

### Purpose

The purpose of the Physical Needs Assessment is to identify and provide cost estimates for the following key items:

- Immediate Physical Needs - repairs, replacements and significant maintenance items which should be done immediately
- Physical Needs Over the Term - repairs, replacements and significant maintenance items which will be needed over the term of the mortgage and two years beyond.

As part of the process, instances of deferred maintenance are also identified.

The assessment is based on the evaluator's judgment of the actual condition of the improvements and the expected useful life of those improvements. It is understood that the conclusions presented are based upon the evaluator's professional judgment and that the actual performance of individual components may vary from a reasonably expected standard and will be affected by circumstances which occur after the date of the evaluation.

This package explains how to use the set of forms provided by Fannie Mae. It is important to recognize that the forms are intended to help the evaluator conduct a comprehensive and accurate assessment. They also present the results of that assessment in a relatively standard format which will be useful to the lender in making underwriting decisions. However, the forms should not constrain the evaluator from fully presenting his or her concerns and findings. The forms should be used and supplemented in ways which facilitate the preparation and presentation of information useful to the lender regarding the physical needs of the property.

The Systems and Conditions forms may be altered and/or computerized to serve the evaluators' needs so long as information is provided on the condition and Effective Remaining Life of all components and the Effective Remaining Life is compared to the standard Expected Useful Life (EUL). The Summary forms may also be extended or computerized so long as the basic format is maintained.

## Terms of Reference Form

The lender completes this form for the evaluator. It serves as a reference point for the assessment and provides the evaluator with basic information about the property and the term of the loan. Four additional topics are covered:

- *Sampling Expectations* - The lender's expectations about the number and/or percentage of dwelling units, buildings and specialized systems to evaluate may be stated. If there is no stated expectation, the evaluator should inspect sufficient units, buildings, and numbers of specialized systems to state *with confidence* the present and probable future condition of each system at the property. The evaluator should provide a separate statement indicating the sampling systems used to ensure a determination of conditions and costs with acceptable accuracy. If a Sampling Expectation is provided by the lender which is not adequate to achieve the requisite level of confidence, the evaluator should so advise the lender.

Considerations in determining an adequate sample size are age and number of buildings (especially if the property was developed in phases), total number of units, and variations in size, type and occupancy of units. Effective sampling is based on observing a sufficient number of each significant category. Using the above criteria, categories could include *buildings by age of each building* (e.g. inspect buildings in the 8 year old phase and in the 11 year old phase), *buildings by type* (e.g. rowhouse, L-shaped rowhouse, walkup, elevator) and/or *buildings by construction materials* (e.g. inspect the garden/flat roof/brick walls section and the garden/pitched roof/clapboard walls section). Dwelling units are separate categories from buildings. At a minimum, sampling is by unit size (0/1/2/3/4 bedrooms). There may be further categories if units are differently configured or equipped, or have different occupants (especially family or elderly). Generally, we would expect the percentage of units inspected to decrease as the total number of units increases. Systems which are not unit specific, such as boilers, compactors, elevators and roofs, will often have a 100% sample.

The overriding objective: SEE ENOUGH OF EACH UNIT TYPE AND SYSTEM TO BE ABLE TO STATE WITH CONFIDENCE THE PRESENT AND PROBABLE FUTURE CONDITON.

- *Market Issues* - In certain instances, market conditions may necessitate action on certain systems. Examples are early appliance replacement or recarpeting, new entry paving, special plantings, and redecorated lobbies. If the owner or lender has identified such an action, the evaluator should include a cost estimation for such action and indicate what, if any, other costs would be eliminated by such action.
- *Work In Progress* - In some instances, work may be underway (which can be observed) or under contract. When known by the lender, this will be noted. For purposes of the report, such work should be assumed to be complete, unless observed to be unacceptable in quality or scope.

- *Management-Reported Replacements* - In some instances, the property ownership or management will provide the lender with information about prior repairs or replacements which have been completed in recent years. The lender may provide this information to the evaluator to assist in the assessment of these components. The evaluator should include enough units, buildings, or systems in the sample to reasonably verify the reported repairs or replacements.

### **Systems and Conditions Forms**

It is the responsibility of the evaluator to assess the condition of every system which is present at a property. All conditions, except as noted below, requiring action during the life of the loan must be addressed regardless of whether the action anticipated is a capital or operating expense.

To assist evaluators in reviewing all systems at a property, four Systems and Conditions Forms are provided. Each lists a group of systems typically related by trade and/or location. The four forms are Site, Architectural, Mechanical and Electrical, and Dwelling Units. While the forms have several columns in which information may be recorded, *in many instances only the first three columns will be completed*. If the condition of a system is acceptable, the Effective Remaining Life exceeds the term of the mortgage by two years, and no action is required, no other columns need to be completed.

The report is not expected to identify minor, inexpensive repairs or other maintenance items which are clearly part of the property owner's current operating pattern and budget so long as these items appear to be taken care of on a regular basis. Examples of such minor operating items are occasional window glazing replacement and/or caulking, modest plumbing repairs, and annual boiler servicing. However, the evaluator *should* comment on such items in the report if they do not appear to be routinely addressed or are in need of immediate repair.

The report is expected to address infrequently occurring "big ticket" maintenance items, such as exterior painting, all deferred maintenance of any kind, and repairs or replacements which normally involve significant expense or outside contracting. While the evaluator should note any environmental hazards seen in the course of the inspection, environment-related actions, such as removal of lead-based paint, will be addressed in a separate report prepared by an environmental consultant.



## **Using the Systems and Conditions Forms**

### *Purpose*

The forms can be used both to record actual observations at a specific location and for an overall summary. For example, the Architectural form can be used for a specific building (or group or identical buildings) as well as for summarizing all information for buildings at a property. The same is true for the Dwelling Unit form. An unlabeled form is included which can be used as a second page for any of the Systems and Conditions Forms.

In some instances, the evaluator will note components which, while they may continue to be functional, may reduce marketability of the property. For example, single-door refrigerators or appliances in outmoded colors may have such an impact in some properties. The evaluator should note these items, discuss them with the lender, and provide separate estimates of the cost to replace such items if requested.

### **Items (EUL)**

Each of the four forms has a number of frequently-occurring systems and components listed. This list represents only the most frequently observed and is not meant to be all inclusive. *Every system present at the property must be observed and recorded.* Any system not listed on the form may be included in the spaces labeled Other. Note that the assessment includes the systems and components in both residential and non-residential structures. Thus, garages, community buildings, management and maintenance offices, cabanas, pools, commercial space, and other non-residential buildings and areas are included.

The Expected Useful Life (EUL) figure which appears in parentheses after the Item is taken from the Expected Useful Life Table provided. This table provides standard useful lives of many components typically found in apartment complexes. Where the parentheses do not contain a number, it is because there are various types of similar components with differing economic lives. The evaluator should turn to the Expected Useful Life Table and select, and insert, the appropriate Expected Useful Life (EUL) number. If the Expected Useful Life (EUL) will, without question, far exceed the term of the mortgage plus two years, the Expected Useful Life (EUL) number need not be inserted.

Note: It is recognized that the Expected Useful Life Tables represents only one possible judgment of the expected life of the various components. If we receive substantial material to the effect that one or more of the estimates are inappropriate, we will make adjustments. Until such changes are made, the Tables provide a useful and consistent standard for all evaluators to use. They avoid debate on what the appropriate expected life is and permit focus on the evaluator's judgment of the effective remaining life of the actual component in place, as discussed below.

## **Age**

The evaluator should insert the actual Age of the component or may insert “OR” for original. If the actual age is unknown, an estimate is acceptable. If there is a range in Age (for example, components replaced over time), the evaluator may note the range (i.e., 5-7 years) or may use several lines for the same system, putting a different Age of that system on each line.

## **Condition**

This space is provided to indicate the Condition of the component, generally excellent, good, fair, or poor, or a similar and *consistent* qualitative evaluation.

## **Effective Remaining Life**

This space is provided for the evaluator to indicate the remaining life of the component as is. For standard components with standard maintenance, the Expected Useful Life Table provided by the Lender could be used to determine Effective Remaining Life by deducting the Age from Expected Useful Life (EUL). However, this should not be done automatically. A component with unusually good original quality or exceptional maintenance could have a longer life. On the other hand, if the component has been poorly maintained or was of below standard original quality, the useful life could be shorter than expected. *The evaluator applies his or her professional judgment in making a determination of the Effective Remaining Life.*

*If the Effective Remaining Life is longer than the term of the loan plus two years, no deferred maintenance exists, and no action needs to be taken during the life of the loan, no other columns need to be filled out.* The only exception may be Diff? (Difference), as discussed below. This should be noted when the evaluator’s estimate of the Effective Remaining Life varies by more than two years from the standard estimate.

## **Diff? (Difference)**

The Age of the component should be deducted from the Expected Useful Life (EUL) in parentheses and the answer compared to the Effective Remaining Life estimated by the evaluator. Where there is a difference of over two years, the evaluator should insert a footnote number in the DIFF? (Difference) column and supply, in an attached list of footnotes, a brief statement of why, in his or her judgment, the Effective Remaining Life of the component varies from the standard estimate. This approach provides consistency among evaluators while making best of the evaluators’ professional judgment.

## **Action**

If any Action is required - immediately, over the life of the loan, or within two years thereafter - the Action should be recorded as *repair, replace, or maintain*. Repair is used when only a part of an item requires action, such as the hydraulics and/or controls of a compactor. Replace is used

when the entire item is replaced. Maintain is used where special, non-routine maintenance is required, such as the sandblasting of a swimming pool. In cases where a repair or maintenance may be needed now, and replacement or further maintenance may be needed later, separate lines may be used to identify the separate actions and timing.

### **Now?**

If the item involves a threat to the immediate health and safety of the residents, clearly affects curb appeal, will result in more serious problems if not corrected, or should otherwise be accomplished as part of an immediate repair, maintenance or replacement program, this space should be checked. Replacements which may be needed in year one, but do not require immediate attention, need not be checked.

### **DM (Deferred Maintenance)**

The DM (Deferred Maintenance) space is marked in any instances where current management practice is clearly inadequate and the owner's attention should be called to the item, even if no major expenditure or significant labor may be required.

### **Quantity**

For items requiring action, the evaluator should note the Quantity of the system, with the applicable unit of measure entered (each, unit, square feet, square yards, linear feet, lump sum, etc.).

### **Field Notes**

This space, as well as attachments may be used to record the type of component (16cf, fros. free, Hotpoint), the problem (valves leaking) or other information (consider replacement for marketing purposes, replace 30% per year, work in progress, etc.) that the evaluator will need to complete the Evaluator's Summary.

### **Sample Form**

The following example from the Dwelling Unit Systems and Conditions form illustrates how this form is properly used. The example presumes an 11 story building containing 1 and 2 bedroom units. There are 100 units. The age of the building is 9 years. The term of the proposed loan is 7 years.

Attachment C  
Capital Needs Assessment Statement of Work  
Rural Development Multi-Family Housing Programs

ITEM (EUL)	AGE	COND	ERL	DIFF?	ACTION	NOW?	DM ?	QUANTITY	NOTES
Countertop/Sink (10)	9	EX	10+	1	-	-	-	- ea.	Corian Stainless Steel
Refrigerator (15)	9	Good	6	-	REPL	-	-	100ea	Hot point 16cf. ff 20%/yr @ YR 5
Disposal (5)	0-9	Good	0-5	-	REPL	-		100ea	20%/yr. @ YR. 1 OPTE
Bath Fixtures (20)	9	Good	11+	-	-	-	-	-	Dated Looking Repair - Now
Ceiling 04 stack ( )	9	Hater Damage	-	-	Repair	Yes	-	10ea	Plumbing Leak

*Countertop/sinks* are 9 years old. (The entry could also be "OR"). Condition is excellent, with an Effective Remaining Life of 10 years. This is significantly different from the anticipated Effective Remaining Life of 1 (an EUL of 10 years minus an Age of 9 years). Therefore, there is a footnote entry "1" in the Diff? (Difference) column. The footnote will indicate that this item is made of an exceptionally durable material (Corian), along with a top quality stainless steel sink. The evaluator's estimate of an Effective Remaining Life of 10 years + is beyond the term of +2. No capital need would be reported.

*Refrigerators* are also original, reported as 16 cf frost free Hotpoints. Replacement is expected around the Effective Remaining Life, noted as 20% annually and beginning in the 5<sup>th</sup> year of the loan when the refrigerators are 14 years old.

*Disposals* range from new to original (Age = 0-9). 20% per year replacements will be needed starting in year 1. The evaluator notes that disposals appear to be replaced as part of the project's normal operations.

*Bath fixtures* are original, and in good condition. No replacement is expected to be required during the term +2 years. The note indicates that they are "dated looking," which may prompt a market consideration for replacement.

*Ceiling* is a special entry. The "04" stack of units has experienced water damage to ceiling from major plumbing leak. This is noted for repair NOW. As this apparently occurs in all 10 units in this stack and therefore is likely to have more than a modest cost, this action would be reported on the Immediate Physical Needs summary form.

### Evaluator's Summary Forms

Two separate forms are used to summarize the evaluator's conclusions from the Systems and Conditions Forms. One summarizes Immediate Physical Needs and the other summarizes the Physical Needs Over The Term +2 years.

### **Evaluator's Summary: Immediate Physical Needs**

All of the items for which Now? is checked are transferred to this form. This form provides for the listing of Items, Quantity, Unit Cost and Total Cost of each. The Item and Quantity are transferred directly from the Systems and Conditions Form.

*Unit Cost* - This is the cost per unit (sf, ea, lf, etc.) in current dollars to implement the required action. The source of the cost estimate should be listed in a separate attachment. The sources may include a third-party estimation service (e.g., R.S. Means: *Repair and Remodeling Cost Data*), actual bid or contract prices for the property, estimates from contractors or vendors, the evaluator's own cost files, or published supplier sources.

*Total Cost* - This is the result of multiplying the quantity times the unit cost. It is expressed in current year dollars.

*DM (Deferred Maintenance)* - If the item evidences deferred maintenance, this column is checked.

*Comments* - the comments column, or an attachment, should clearly provide information on the location and the nature of problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

### **Evaluator's Summary: Physical Needs Over the Term**

Those items not listed on the Immediate Physical Needs form, but for which action is anticipated during the term of the loan plus two years, are listed on the form. The item and Quantity are transferred directly from the Systems and Conditions Form. The Unit Cost is calculated in the same manner as on the Immediate Physical Needs Form. An attachment should be provided which gives any necessary information on the location of action items and the problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

*Cost by Year* - the result of multiplying the quantity times the unit cost, in current dollars, is inserted in the column for the year in which the action is expected to take place. Generally, the Effective Remaining Life estimate provided by the evaluator on the Systems and Conditions will indicate the action year. For example, if the evaluator has indicated that the Effective Remaining Life of the parking lot paving is 4 years, the cost, in current dollars, is inserted in Year 4. If the items are likely to be done over a number of years, the costs, in current dollars should be spread over the appropriate period. For example, if the Effective Remaining Life of the Refrigerators is estimated to be 4 years, or 3-5 years, one third of the cost of replacing the refrigerators may appear in each of Years 3, 4, and 5.

*Total Uninflated* - After inserting all of the appropriate action items, the evaluator should total the items for each year.

*Total Inflated* - The evaluator should multiply the Total Uninflated times the factor provided to produce the Total Inflated.

*Total Inflated All Pages* - On the last sheet, the evaluator should include the Total Inflated Dollars for that page and all prior pages.

*Cumulative Total All Pages* - On the last sheet, the evaluator should insert the Total Inflated Dollars of that year and all prior years.

### **Special Repair and Replacement Requirements**

While performing a property inspection, the evaluator must be aware that certain building materials and construction practices may cause properties to experience (or to develop in a short time period) problems that can be corrected only with major repairs or replacements. The following identifies some specific construction related problems; however, the evaluator must be aware that other construction related problems may be found in any property and should be identified. If any of the following requirements are not met or if the evaluator determines that the following conditions (or others) are present, *the evaluator must contact the lender immediately to discuss the timing as well as the cost of the repairs or replacements*. The evaluator should ensure that any of these conditions are thoroughly addressed in the Physical Needs Assessment.

*Minimum Electrical Capacity* - Each apartment unit must have sufficient electrical capacity (amperage) to handle the number of electrical circuits and their use within an apartment. Therefore, the evaluator must determine, based on referencing the National Electric Code as well as local building codes, what is the minimum electrical service needed. In any event, that service must not be less than 60 amperes.

*Electrical Circuit Overload Protection* - All apartment unit circuits, as well as electrical circuits elsewhere in an apartment complex, must have circuit breakers as opposed to fuses as circuit overload protection.

*Aluminum Wiring* - In all cases, where aluminum wiring runs from the panel to the outlets of a unit, the evaluator's inspection should ascertain that the aluminum wiring connections (outlets, switches, appliances, etc.) are made to receptacles rated to accept aluminum wiring or that corrective repairs can be done immediately by the owner.

*Fire Retardant Treated Plywood* - While performing the roof inspection, the evaluator should investigate whether there is any indication that fire-retardant treated plywood was used in the construction of the roof (primarily roof sheathing). This inspection should focus on sections of the roof that are subjected to the greatest amount of heat (e.g., areas that are not shaded or that

are poorly ventilated) and, if possible, to inspect the attic for signs of deteriorating fire-retardant treated plywood or plywood that is stamped with a fire rating.

Our concern is that certain types of fire-retardant treated plywood rapidly deteriorate when exposed to excessive heat and humidity or may cause nails or other metal fasteners to corrode. Common signs of this condition include a darkening of the wood and the presence of a powder-like substance, warping of the roof and the curling of the shingles. Fire-retardant treated plywood is most likely to be in townhouse properties or other properties with pitched, shingled roofs that were constructed after 1981 and that are located in states east of the Mississippi River and some southwestern states.

### **Narrative Conclusion and Attachments**

A complete narrative summary of the property and its components is not required. However, the evaluator should supply a concise summary of the conclusions reached concerning the overall condition of the property, its future prospects, and the quality of the current maintenance programs. *Any items affecting the health and safety of residents should be clearly flagged.*

The summary should include a discussion of the sampling approach used, discussed above, and any market issues which the evaluator believes it may be appropriate to address or which were noted by the lender.

The narrative, the forms use and the attachments (footnotes explaining Differences, information regarding sources of costs, and, if necessary, information needed to identify the location and type of problem addressed in the Evaluator's Summary: Physical Needs Over the Term) should be supplied.

## **EXPECTED USEFUL LIFE TABLES**

Forms and Expected Useful Life Tables developed for Fannie Mae  
by On-Site Insight of Needham, MA



EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>SITE SYSTEMS</b>			
<b>NOTE: 50+ “long-lived” systems: EUL based on location and use specific conditions</b>			“Action” equals replace unless other wise noted
Basketball Courts	15	25	
Built Improvements (playgrounds/site furniture)	20	20	
Catch Basin	40	40	
Cold Water Lines	40	40	
Compactors	15	15	
DHW/Supply/Return	30	30	
Dumpsters	10	10	
Dumpster Enclosure	10	10	
Earthwork	50+	50+	
Electrical Distribution Center	40	40	
Emergency Generator	15	15	
Fencing			
Chain Link	40	40	
Wrought Iron	50+	50+	
Stockade/Basinweave	12	12	
Post and Rail	25	25	
Gas Lines	40	40	
Heating Supply/Return	40	40	
Incinerators	50+	50+	
Irrigation System	30	30	
Lift Station	50	50	
Mail Facilities	10	10	
Landscaping	50+	50+	
Parking			
Asphalt	25	25	Resurface
Gravel	15	15	Resurface
Pedestrian Paving	15	15	Resurface
Bimminors	15	15	
Concrete	30	30	
Retaining Walls			
Concrete	20	20	Fill Cracks/Repoint
Masonry	15	15	Fill Cracks/Repoint
Wood	15	15	Replace
Stone	15	15	Fill Cracks/Repoint
Roadways			
Asphalt (Sealing)	5	5	Seal
Asphalt	25	25	Resurface
Gravel	15	15	Resurface (grade and gravel)
Sanitary Treatment	40	40	
Site Electrical Main	40	40	
Site Gas Main	40	40	
Site Lighting	25	25	
Site Power Distribution	40	40	
Site Sanitary Lines	50+	50+	
Site Sewer Main	50+	50+	
Site Water Main	40	40	
Storm Drain Lines	50+	50+	
Swimming Pool - Deck	15	15	Resurface Deck
Mechanical Equipment (filter/pump/etc.)	10	10	
Tennis Courts	15	15	Resurface
Transformer	30	30	
Water Tower	50+	50+	

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>BUILDING ARCHITECTURE</b>			
<b>NOTE: 50+ = “long-lived” systems: EUL based on location and use-specific conditions</b>			
Appurtenant Structures			
Porches	50	50	Paint at 5 years
Wood Decks	20	20	Paint at 5 years
Storage Sheds	30	30	Paint at 5 years
Greenhouses	50	50	
Carports	40	40	
Garages	50+	50+	
Basement Stairs	50+	50+	
Building Mounted Exterior Lighting	6	10	
Building Mounted HID Lighting	6	20	
Bulkheads	30	30	
Canopies			
Wood/Metal	40	40	Replace
Concrete	20	20	Re-roof
Ceilings, Exterior or Open	5	5	Paint
Chimney	25	25	Point
Common Area Doors (fire/hall/closet/etc.)	50+	50+	
Common Area Floors			
Ceramic/Quarry Tile/Terrazzo	50+	50+	Replace
Wood (strip or parquet)	30	30	Replace Portion/Sand and Finish
Resilient Flooring (tile or sheet)	15	15	Replace
Carpet	7	7	Replace
Concrete	50+	50+	Replace
Common Area Railings	50+	50+	
Common Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (paint 5-8 years)
Acoustic Tile	20	20	Replace
Common Area Countertop & Sink	20	20	
Common Area Dishwasher	15	15	
Common Area Disposal	5	5	
Common Area Walls	50+	50+	Replace (paint 5-8 years)
Exterior Common Doors			
Aluminum and Glass	30	30	Door only
Solid Core (wood or metal)	25	25	Door only
Amo	15	30	Door and mechanism
Exterior Stairs			
Wood	30	30	Replace
Filled Metal Pan	20	20	Replace
Concrete	50+	50+	Replace
Exterior Unit Doors	25	25	
Exterior Walls			
Aluminum Siding	15	15	Prep and Paint
Brick or Block	40	40	Repoint
Brownstone/Stone Veneer	20	20	Waterproof and Caulk
Glass Block	15	15	Recaulk
Granite Block	40	40	Repoint
Metal/Glass Curtain Wall	10	10	Recaulk
Pre-cast Concrete Panel	15	15	Recaulk
Vinyl Siding	30	30	Replace
Wood shingle, Clapboard, Plywood, Stucco	5	5	Prep and Paint/Stain
Fire Escapes	40	40	Resecure
Foundations	50+	50+	

Attachment C  
Capital Needs Assessment Statement of Work  
Rural Development Multi-Family Housing Programs

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
Hatches/Skylights			
Access Hatch	30	30	
Smoke Hatch or Skylight	50+	50+	
Insulation/Wall	50+	50+	
Interior Lighting	25	25	
Interior Railings	50+	50+	
Kitchen Cabinets	20	20	
Local HVAC			
Electrical Fan Coil	20	20	
Electric Heat/Electrical AC	15	15	
Gas Furnace With Split DX AC	20	20	
Heat Pump w/ Supplementary Electrical	15	15	
Heat Pump, Water Source	20	20	
Hydronic Fan Coil	30	30	
Hydronic Heat/Electrical AC	20	20	
Mail Facilities	10	30	
Parapet Wall	50+	50+	
Penthouse	25	25	New Door and Pointing
Public Bathroom Accessories	7	7	
Public Bathroom Fixtures	15	15	
Radiation			
Hydronic (baseboard or freestanding)	50	50	
Electric Baseboard	25	25	
Electric Panel	20	20	
Railings Roof	10	10	Paint
Refrigerator, Common Area	15	15	
Residential Glass Doors			
Sliding	15	15	
Atrium/French	30	30	
Roof Covering			
Aluminum Shingles	40	40	
Asphalt Shingles	20	20	
Built-up (BUR)	20	20	
Membrane	20	20	
Metal (pre-formed)	40	40	
Slate, Tile, Clay, or Concrete Shingles	50+	50+	
Wood Shingles	20	20	
Roof Drainage Exterior (gutter and fascia)	25	25	New Gutters
Roof drainage Interior (Drain Covers)	50+	50+	
Roof Structure	50+	50+	
Slab	50+	50+	
Service Doors	25	25	
Soffits			
Wood / Stucco / Concrete	5	5	Paint Replace
Aluminum or Vinyl	25	25	
Stair Structure	50+	50+	
Storm/Screen Doors	7	15	
Storm/Screen Windows	20	20	
Waterproofing Foundation	50+	50+	
Window Security	40	40	
Windows (Frames and Glazing)	30	30	
Wood Floor Frame	50+	50+	

Attachment C  
Capital Needs Assessment Statement of Work  
Rural Development Multi-Family Housing Programs

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>DWELLING UNITS</b>			
<b>NOTE: 50+ = “long-lived” systems: EUL based on location and use-specific conditions</b>			
Bath Accessories	10	15	
Bath Fixtures (Sink, toilet, tub)	20	20	
Closet Doors	10	20	
Countertop and Sink	10	20	
Dishwasher	10	15	
Disposal	5	8	
Electric Fixtures	20	20	
Hallway Door	30	50	Door Only
Heat Detectors	20	20	
Interior Door	30	50	Door Only
Interior Stairs	50+	50+	
Kitchen Cabinets	20	25	
Living Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (Paint at 5-8 years)
Acoustic Tiles	20	20	
Living Area Floors			
Ceramic/Quarry Tile/Terrazzo	50+	50+	Replace
Wood (strip or parquet)	30	30	Replace Portion/Sand and Finish
Resilient Flooring (tile or sheet)	15	20	Replace
Carpet	7	10	Replace
Concrete	50+	50+	Replace
Living Area Walls	50+	50+	Replace (Paint at 5-8 years)
Local HVAC			
Electric Fan Coil	20	20	
Electric Heat/Electric AC	15	15	
Evaporative Condenser (“swamp cooler”)	20	20	
Gas furnace With Split DX AC	20	20	
Heat Pump w/ Supplementary Electric	15	15	
Heat Pump, Water Source	20	20	
Hydronic Fan Coil	30	30	
Hydronic Heat/Electric AC	20	20	
Range	15	20	
Rangehood	15	15	
Refrigerator	15	15	
Smoke/Fire Detectors	10	10	
Unit Air Conditioning (Window)	15	15	
Unit Electric Panel	50+	50+	
Unit Level Boiler	25	25	
Unit Buzzer/Intercom	20	30	
Unit Level DHW	10	10	
Unit Level Hot Air Furnace	25	25	
Unit Radiation			
Hydronic or Steam (baseboard or freestanding)	50	50	
Electric Baseboard	25	25	
Unit Vent/Exhaust	15	15	
Unit Wiring	99	99	
Vanities	20	20	
Window Covering	3-20	3-25	Material/User Specific

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>MECHANICAL/ELECTRICAL</b>			
<b>NOTE: 50+ = "long-lived" systems: EUL based on location and use specific conditions</b>			
Central Unit Exhaust, Roof Mounted	15	15	
Chilled Water Distribution	50+	50+	
Chilling Plant	15	25	
Compactor	15	15	
Cooling Tower	25	25	
Electrical Switchgear	50+	50+	
Electrical Wiring	50+	50+	
Elevator, Controller/Dispatcher	15	20	
Elevator, Cab	15	20	Rebuild Interior
Elevator, Machinery	30	30	
Elevator, Shaftway Doors	20	30	Replace Gibs and Rollers
Elevator, Shaftways			
Hoist Rails, Cables, Traveling Equipment	25	25	
Hydraulic Piston and Leveling Equipment	25	25	Re-sleeve Piston
Emergency Call Alarm System, Station	15	15	
Emergency Generator	35	35	
Emergency Lights	10	10	Battery operated
Evaporative Cooler	15	15	
Fire Pumps	20	20	Pump Motor
Fire Suppression	50+	50+	Piping
Gas Distribution	50+	50+	Piping
Heat Sensors	15	15	
Heating Risers and Distribution	50+	50+	
Heating Water Controller	15	15	
Hot and Cold Water Distribution	50	50	
HVAC			
Cooling Only	15	15	
Heat Only	15	15	
Heating and Cooling	15	15	
Master TV System	15	15	
Outdoor Temperature Sensor	10	10	
Sanitary Waste and Vent System	50+	50+	
Sewage Ejectors	50	50	
Buzzer/Intercom Central Panel	15	15	
Smoke & Fire Detection System, Central Panel	15	15	
Sump Pump			
Residential	7	7	Replace
Commercial	15	15	Replace Motor
Water Softening and Filtration	15	15	
Water Tower	50+	50+	
Boiler Room Equipment			
Blowdown and Water Treatment	25	25	
Boiler Room Pipe Insulation	With Boiler	With Boiler	
Boiler Room Piping	With Boiler	With Boiler	
Boiler Room Valves	15	15	Repack Valves
Boiler Temperature Controls	With boiler	With boiler	
Boilers			
Oil-fired Sectional	22	22	
Gas or Dual-fuel-fired Sectional	25	25	
Oil Gas or Dual-fuel-fired Package, Low MBH	30	30	

<b>EXPECTED USEFUL LIFE TABLE</b>			
	<b>Family Development</b>	<b>Elderly Development</b>	<b>Action</b>
<b>MECHANICAL/ELECTRICAL (continued)</b>			
Oil Gas or Dual-fuel-fired Package, High MBH	40	40	
Gas-fired Atmospheric	25	25	
Electric	20	20	
Bottled Gas Storage	20	20	
Building Heating Water Temperature Controls			
Residential	12	12	
Commercial	15	15	
Combustion Air			
Duct with Fixed Louvers	50+	50+	Replace
Motorized Louver and Duct	25	25	Replace Motor
Make-up Air	25	25	Replace Fan/Preheater
Compressors	15	15	
Condensate and Feedwater			
Feedwater Only (Hydronic)	10	10	
Condensate and Feedwater (Steam)	With Boiler	With Boiler	
DHW Circulating Pumps	By Size	By Size	
DHW Generation			
Tank Only, Dedicated Fuel	10	10	
Exchanger in Storage Tank	15	15	
Exchanger in Boiler	15	15	
External Tankless	15	15	
Instantaneous	10	10	
DHW Storage Tanks			
Small (up to 150 gallons)	12	12	Replace
Large (over 150 gallons)	7	7	Point Tank Lining
Domestic Cold Water Pumps	15	15	
Fire Suppression	50+	50+	
Flue Exhaust	With Boiler	With Boiler	
Free Standing Chimney	50+	50+	
Fuel Oil Storage	25	25	
Fuel Transfer System	25	25	
Heat Exchanger	35	35	
Heating Water Circulating Pumps	By size	By size	
Line Dryers	15	15	
Motorized Valves	12	12	
Outdoor Temp Sensor	10	10	
Pneumatic Lines & Controls	30	30	
Purchased Steam Supply Station	50+	50+	
Solar Hot Water	20	20	Replace Collector Panels

# Terms of Reference

**PROPERTY:** \_\_\_\_\_  
**ADDRESS(ES):** \_\_\_\_\_

**CONTACT:** \_\_\_\_\_ **Telephone:** \_\_\_\_\_  
**TITLE:** \_\_\_\_\_

Age of Property						Family:	
						Elderly:	
	Elevator	Garden/Walkup	Townhouse	Other: _____		TOTAL	
# of buildings, by type							

Term of Loan							
	0 BR	1 BR	2 BR	3 BR	4 BR	5+ BR	TOTAL
# of units							

## SITE CONFIGURATION

## SAMPLING EXPECTATION

## MARKET ISSUES

Item		Timing
Absolute:		

## Possible:

## WORK IN PROGRESS

Item	Quantity	\$s	% complete	Comments
------	----------	-----	------------	----------

## MANAGEMENT REPORTED REPLACEMENTS

Item	Quantity	\$s	Date replaced	Comments
------	----------	-----	---------------	----------

## Systems and Conditions

[illegible]



[illegible]

					ARCHITECTURAL					
Slab	(50+)				_____	_____	_____	_____	sf	_____
Stairs	( )				_____	_____	_____	_____	ls	_____
Doors	( )				_____	_____	_____	_____	ea	_____
Foundation	(50+)				_____	_____	_____	_____	lf	_____
Exterior Walls	( )				_____	_____	_____	_____	sf	_____
Exterior Walls	( )				_____	_____	_____	_____	sf	_____
Windows - Frame	(30)				_____	_____	_____	_____	ea	_____
Unit Balconies	( )				_____	_____	_____	_____	ea	_____
Decks	(20)				_____	_____	_____	_____	ls	_____
Roof Covering	( )				_____	_____	_____	_____	sf	_____
Roof Drainage	( )				_____	_____	_____	_____	ls	_____
Common Area Floors					_____	_____	_____	_____	sf	_____
Common Area Floors					_____	_____	_____	_____	sf	_____
( )										
Bldg Mounted Lighting					_____	_____	_____	_____	ea	_____
( )										
Local HVAC	( )				_____	_____	_____	_____	ea	_____
Kitchen Cab & Sink					_____	_____	_____	_____	ls	_____
(common area)	( )									
Kitchen Appliances					_____	_____	_____	_____	ls	_____
(common area)	( )									
Other_____	( )				_____	_____	_____	_____		_____
Other_____	( )				_____	_____	_____	_____		_____
Other_____	( )				_____	_____	_____	_____		_____
Other_____	( )				_____	_____	_____	_____		_____
Other_____	( )				_____	_____	_____	_____		_____

[illegible]

[illegible]

## Evaluator's Summary

### *Physical Needs Over The Term*

Page#\_\_ of \_\_

**PROJECT:** \_\_\_\_\_  
**ADDRESS(ES):** \_\_\_\_\_

DEVELOPMENT AGE:  
REMAINING MORTGAGE TERM:

ELDERLY:  
FAMILY:

# OF UNITS:

# BUILDINGS:

[illegible]

## Evaluator's Summary

### *Physical Needs Over The Term*

17-Nov-05

Page#\_\_ of \_\_

**PROJECT:** \_\_\_\_\_  
**ADDRESS(ES):** \_\_\_\_\_

DEVELOPMENT AGE: 0  
REMAINING MORTGAGE TERM: 0 years  
ELDERLY: 0  
FAMILY: 0

# OF UNITS: 0

BUILDINGS: 0

[illegible]

**PROJECT:** \_\_\_\_\_  
**ADDRESS(ES):** \_\_\_\_\_

# of Buildings:

4-Nov-05

[illegible]

## ACCESSIBILITY LAWS & REQUIREMENTS

Law and Regulation References	Act/Section Application	Accessibility Standard	Accessibility Requirements
<p>Public Law 90-480 (42 USC 4151-4157)</p> <p>(not referenced in regulations)</p>	<p>The Architectural Barriers Act requires certain facilities financed with Federal funds be designed and constructed as to be accessible to the physically handicapped.</p> <p>Agency projects financed with Federal funds include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans.</li> </ul>	<p>Uniform Federal Accessibility Standard (UFAS)</p>	<p>All areas open to the public must be fully accessible to persons with disabilities. (For a MFH development, this would apply to the rental office. Other spaces - such as laundries, community rooms, etc. – are generally “common areas” for the use of tenants and their guests, and are not considered public spaces.)</p> <p>(Requirements of the Architectural Barriers Act are met when meeting Section 504 of the Rehabilitation Act.)</p>
<p>Public Law 93-112 (29 USC 790-794)</p> <p>7 CFR 15b also 7 CFR 3560.60(d))</p>	<p>Section 504 of the Rehabilitation Act of 1973 requires programs and facilities receiving Federal financial assistance be designed and constructed as to be accessible to the physically handicapped.</p> <p>Agency projects receiving Federal financial assistance include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing loans</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	<p>Uniform Federal Accessibility Standard (UFAS)</p>	<p><b>Substantial Alteration (7 CFR 3560.60(d)):</b></p> <ul style="list-style-type: none"> <li>• Substantial alteration defined as 50% or more of the full and fair cash value of the building. (See UFAS.)</li> <li>• Buildings undergoing substantial alteration are treated as “new construction” in UFAS due to the level of rehab.</li> </ul> <p><b>Properties ready for occupancy after 6/10/82:</b></p> <ul style="list-style-type: none"> <li>• At least 5% or a minimum of one dwelling unit (DU) must meet <u>mobility impairment requirements</u>. (Always round up. 5% of 21 units = TWO fully accessible units.)</li> <li>• The mix of accessible units is to be comparable to the variety of other project units (ie. 1, 2, and 3 bedrooms).</li> <li>• Public and common use areas must be accessible per UFAS.</li> </ul> <p><b>Properties ready for occupancy on or before 6/10/82:</b></p> <ul style="list-style-type: none"> <li>• Borrowers are encouraged to make 5% of units fully accessible. If a unit undergoes extensive repair, it will be made accessible to the extent possible, up to the 5% requirement. (7 CFR 3560.60(d)(2))</li> <li>• Borrowers must conduct self-evaluations, and if needed develop transition plans</li> <li>• Borrowers must make common areas accessible when</li> </ul>



## ACCESSIBILITY LAWS & REQUIREMENTS

Law and Regulation References	Act/Section Application	Accessibility Standard	Accessibility Requirements
	Section 504 of the Rehabilitation Act (con't)		<p>financially and structurally feasible (Common areas include mailboxes, office, community room, trash areas, playgrounds, laundry facilities, etc.)</p> <ul style="list-style-type: none"> <li>• When a qualified individual with a disability applies for admission, borrowers must make the unit accessible and usable to the individual. <b>Other Considerations:</b></li> <li>• For existing facilities, accessibility must be provided to the maximum extent feasible. If structurally impractical, a referral agreement may be used in lieu of making the facility accessible.</li> <li>• Applicant / tenant may request “reasonable accommodation” be made at owner / project expense.</li> </ul>
<p>Public Law 90-284 (42 USC 3601 et seq)</p> <p>24 CFR Part 100 and 54 CFR 3232 (HUD’s regs implementing FHAA)</p> <p>7 CFR part 3560.60(d)</p>	<p>The Fair Housing Amendments Act requires all “covered dwellings” to be adaptable. “Covered dwellings” are all ground floor units (or all units in an elevator building) in buildings with four or more units constructed after 3/13/91. This law applies to all MultiFamily Housing, regardless of financing (public or private).</p> <p>Agency projects include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing loans</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	Fair Housing Act / Accessibility Guidelines	<p><b>Properties ready for occupancy after 3/13/91:</b></p> <ul style="list-style-type: none"> <li>• At least one unit must be on an accessible route unless impractical due to terrain. (24 CFR 100.205(a)) (Unless terrain does not permit and “site impracticality” test performed, all ground level units or all units in an elevator building on an accessible route.)</li> <li>• Townhouses and buildings less than 4 units exempted from requirements.</li> <li>• All public and common use areas must be accessible. (24 CFR 100.205(c)(1))</li> <li>• All external and internal doors must be wide enough to accommodate wheel chair access. (24 CFR 100.205 (c)(21))</li> <li>• All “covered dwellings” must contain the following features of adaptable design: <ul style="list-style-type: none"> <li>◊ Accessible route into and through the DU (24 CFR 100.205 (C)(3)(i))</li> <li>◊ Light switches in accessible locations (24 CFR 100.205 (C)(3)(ii))</li> </ul> </li> </ul>

### ACCESSIBILITY LAWS & REQUIREMENTS

Law and Regulation References	Act/Section Application	Accessibility Standard	Accessibility Requirements
	Fair Housing Amendments Act (con't)		<ul style="list-style-type: none"> <li>◊ Reinforcements in bathroom walls for grab bars and; (24 CFR 100.205 (C)(3)(iii))</li> <li>◊ Usable kitchens and bathrooms for persons in wheelchairs (24 CFR 100.205 (C)(3)(iv))</li> <li>• Applicant / tenant may request “reasonable accommodations” to the unit, at the tenant’s expense.</li> </ul> <p><b>Properties ready for occupancy on or before 3/13/91:</b></p> <ul style="list-style-type: none"> <li>• Fair Housing has no accessibility requirements for projects constructed prior to this date.</li> </ul>
<p>Public Law 101-336 (42 USC 12111 et seq.)</p> <p>28 CFR Parts 35 and 36</p> <p>7 CFR part 3560.60(d)</p>	<p>All places of public accommodation and commercial facilities must be accessible to persons with disabilities. Applies to all new construction and any repair / rehab. This law applies to all public spaces, regardless of financing (public or private).</p> <p>Agency projects include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing loans</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	<p>Americans with Disabilities Act Accessibility Guidelines (ADAAG)</p>	<p>All areas open to the public must be fully accessible to persons with disabilities. (For a MFH development, this would apply to the rental office. Other spaces - such as laundries, community rooms, etc. – are generally “common areas” for the use of tenants and their guests, and are not considered public spaces. Exceptions would be a community room used for poling, training, etc. or a dining room serving outsiders.)</p> <p><b>Properties ready for occupancy after 1/26/93:</b></p> <ul style="list-style-type: none"> <li>• Public areas must be accessible per ADAAG standards.</li> <li>• Once UFAS requirements are met, typically the additional ADAAG requirement is for a “van accessible” parking space at the office.</li> </ul> <p><b>Properties ready for occupancy on or before 1/26/93:</b></p> <ul style="list-style-type: none"> <li>• When public areas are altered, they must be altered to ADAAG standards. (Public areas are those areas used by individuals other than tenants and their guests. This includes offices used to pay bills or to inquire about rentals, public restrooms, and spaces used for voting, public meetings, or meals for outsiders.)</li> </ul>

# USDA/RURAL DEVELOPMENT

## CAPITAL NEEDS ASSESSMENT GUIDANCE TO THE REVIEWER

### AGREEMENT TO PROVIDE CAPITAL NEEDS ASSESSMENT

	<b>GENERAL NOTES:</b>
A	Reviews of proposed agreements for Capital Needs Assessments (CNA) should be based on Agency and other Agency-recognized guidelines.
B	If all review items are answered “NO”, the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
C	Any review items answered with a “YES” should be explained in writing to the proposed Provider in sufficient detail for clarity and appropriate actions taken.
D	If all review items answered with a “YES” are satisfactorily addressed or corrected by the proposed Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
E	If any review items answered with a “YES” cannot be satisfactorily addressed or corrected by the proposed Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should NOT be accepted.

	<b>REVIEW ITEMS:</b>	<b>YES</b>	<b>NO</b>
1	Does the proposed Agreement exclude Rural Development’s Capital Needs Assessment Statement of Work?		
2	Is there any evidence or indication that the proposed Provider has an identity of interest, as defined in 7 CFR 3560?		
3	Is there any evidence or indication that the proposed Provider is NOT trained in evaluating site and building systems, and health, safety, physical, structural, environmental and accessibility conditions?		
4	Is there any evidence or indication that the proposed provider is NOT trained in estimating costs for repairing, replacing, and improving site and building components?		
5	Is there any evidence or indication that the proposed Provider is NOT experienced in providing CNAs for MFH properties that are similar to those in the Section 515 Program?		
6	Is there any evidence or indication that the proposed Provider is NOT knowledgeable of site, building and accessibility codes and standards?		
7	Is there any evidence or indication that the proposed Provider is debarred or suspended from participating in Federally-assisted programs?		
8	Does the proposed fee appear to be unreasonable?		

# USDA/RURAL DEVELOPMENT

## CAPITAL NEEDS ASSESSMENT GUIDANCE TO THE REVIEWER

### CAPITAL NEEDS ASSESSMENT REPORT

	<b>GENERAL NOTES:</b>
A	Reviews of preliminary Capital Needs Assessment (CNA) reports should be based on: <ol style="list-style-type: none"> <li>1. The Statement of Work referenced in the written agreement with the provider</li> <li>2. Agency case file, such as property records and inspection reports</li> <li>3. Latest available cost data published by RS Means</li> <li>4. Agency guidelines</li> <li>5. Fannie Mae guidelines</li> </ol>
B	The reviewer should give special attention to the line items with the highest total costs.
C	The reviewer should be careful to note whether all systems or components that should be included have indeed been included in the report.
D	If all review items are answered "YES", the Provider should be advised to finalize the CNA with no or only a few minor changes.
E	Any review items answered with a "NO" should be explained in writing to the Provider in sufficient detail for clarity and appropriate actions taken.
F	The final report should be reviewed to verify that any minor changes and items answered with a "NO" in the first review have been satisfactorily addressed or corrected.
G	When item "D" is completed, the reviewer should advise the appropriate Rural Development official that the CNA should be accepted as the final report.

	<b>REVIEW ITEMS:</b>	<b>PRIMARY BASIS *</b>	<b>YES</b>	<b>NO</b>
1	Is the report in the required format?	1		
2	Does the report fully describe the property?	1		
3	Are photographs provided to generally describe the property's buildings and other facilities?	1		
4	Does the report identify who performed the on-site inspection?	1		
5	Does the report identify who prepared the report?	1		
6	Was an adequate number of dwelling units inspected?	1		
7	Is the length of the study period adequate?	1		
8	Is the list of property components complete?	5		
9	Is the list divided into the appropriate major system groups?	1		
10	Are the existing property components accurately described?	2		

# USDA/RURAL DEVELOPMENT

## CAPITAL NEEDS ASSESSMENT GUIDANCE TO THE REVIEWER

11	Are the expected useful lifetimes of the components reasonably accurate?	5		
12	Are the reported ages of the components reasonably accurate?	2		
13	Is the current condition of each component accurately noted?	2		
14	Are the effective remaining lifetimes of components correctly calculated?	5		
15	Are proposed corrective actions appropriately identified?	1		
16	Are critical immediate repairs appropriately identified?	1		
17	Are items being replaced with “in-kind” materials when appropriate?	1		
18	Are the component quantities reasonably accurate?	2		
19	Are photographs provided to describe deficiencies?	1		
20	Does the report adequately address environmental hazards and other relevant environmental issues?	1		
21	Does the report adequately address accessibility issues?	1		
22	Does the report address any existing accessibility transition plans and their adequacy?	1		
23	Are photographs provided to describe existing kitchens and bathrooms in the handicapped units?	1		
24	Are the proposed years for repair or replacement reasonable?	5		
25	Are the repair/replacement durations appropriate and reasonable?	5		
26	Are the detailed estimated repair and replacement costs calculated in current dollars?	1		
27	Are the estimated repair and replacement costs reasonable?	3		
28	Are the sources for cost data explained in the report?	1		
29	Is the projected inflation rate appropriate?	1		
30	Have the costs in current and inflated dollars been totaled for each year?	1		
31	Have the costs for each year and grand totals been correctly calculated?	5		
32	Does the data in the report narrative and summary charts match?	5		
33	Does the report exclude routine maintenance, operation, and low cost expenses?	4		
34	Does the report include all deficiencies known to Rural Development?	2		
35	Does the report include all other relevant data or information known to Rural Development?	2		

\* = see General Note “A”

## **SAMPLE CAPITAL NEEDS ASSESSMENT REVIEW REPORT**

### **[ REVIEW OF PRELIMINARY / FINAL CNA REPORT ]**

**Property Name and Location:**

**CNA Provider:**

**CNA Reviewer:**

**Date of Preliminary / Final CNA Report:**

**Date of Review:**

**Reviewer's Comments:**

- 
- 
- 

**Purpose / Intended Use / Intended User of Review:**

- The purpose of this CNA review assignment is to render an opinion as to the completeness, adequacy, relevance, appropriateness, and reasonableness of the work under review relative to the requirements of Rural Development.
- The intended use of the review report is to help meet Rural Development loan underwriting requirements for permanent financing under the Section 515 Revitalization Demonstration. The review is not intended for any other use.
- The intended user of the review is only Rural Development.

**Scope of Review:**

**The scope of the CNA review process involved the following procedures:**

- The review included a reading/analysis of the following components from the CNA report and the additional due diligence noted. The contents from the CNA work file were not reviewed.
  - Date of the Report
  - Narrative
  - Description of Improvements
  - Photographs of the Subject Property
  - Capital Needs Summary
  - Replacement Reserve Analysis
  - Systems and Conditions Forms
  - Critical Needs Forms
  - Capital Needs Over the Term Forms
- This is a desk review, and the reviewer has not inspected the subject property.
- The reviewer has/has not confirmed data contained within the CNA report.

**Review Conclusion:**

**In the reviewer's opinion, given the scope of the work under review:**

- The subject CNA meets/does not meet the reporting requirements of Rural Development.
- The data appears/does not appear to be adequate and relevant.
- The CNA methods and techniques used are/are not appropriate.
- The analyses, opinions, and conclusions are/are not appropriate and reasonable.
- This is a review report on a *preliminary* CNA report. The preliminary CNA report is subject to review discussions between Rural Development and the owner of the subject property and between the owner and the CNA provider. The owner is the CNA provider's client, and only the client can instruct the CNA provider to revise the preliminary report. To be acceptable to Rural Development, the final CNA report should address any errors or deficiencies identified in the *Reviewer's Comments* section of this review report.

October 25, 2005

SUBJECT: Financial Management Division Review  
Control Objectives and Techniques and  
Review Guide for Fiscal Year 2006

TO: Rural Development State Directors

ATTN: Administrative Program Directors and  
Management Control Officers

Attached is a copy of the Financial Management Division (FMD) Review control objectives and techniques (COTs) and review guide for Fiscal Year (FY) 2006. The COTs contain the objectives and scope of the FMD Reviews and the review guide contains the areas that will be reviewed.

Both the COTs and review guide contain four separate sections or areas that will be reviewed as part of the FMD Review:

- Section 1: Audits, Investigations, and Hotlines
- Section 2: Collections
- Section 3: State Internal Reviews
- Section 4: Federal Managers' Financial Integrity Act Implementation

The FY 2006 FMD Review schedule was issued in an Unnumbered Letter dated August 18, 2005.

States scheduled for review will receive advance notification prior to the review date. A confirmation memorandum will be provided approximately 30 days prior to the review date.

If there are any questions regarding the FMD Reviews or the attached review guide, please contact

Samuel W. Pooré, Program Analyst, at (202) 692-0076.

*(Signed by John M. Purcell)*

JOHN M. PURCELL  
Director  
Financial Management Division

Attachments

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by Electronic Mail on 10/26/05 at 10:00 a.m. by FMD.  
State Directors should advise other personnel as appropriate.



**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION I: AUDITS, INVESTIGATIONS AND HOTLINES**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure Rural Development is in compliance with requirements of Departmental Regulation (DR) 1720-1 and Rural Development (RD) Instructions 2012-A, -B, and -C.	MEDIUM	Violation of United States Department of Agriculture (USDA) and Rural Development regulations.	<p>Verify the State Office (S/O) is using the latest version of RD Instructions 2012-A, -B, and -C to ensure compliance with USDA and Rural Development policies.</p> <p>As necessary, the Management Control Officers (MCOs) should provide training/teleconferences with S/O Staff to discuss changes in policy, problem areas, and reinforce policy requirements.</p>
Managers will promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit, investigation, and hotline findings and recommendations; and complete responses and actions in a timely manner.	HIGH	<p>Risk of possible fraud, waste, abuse, and misuse of Government assets.</p> <p>Negative publicity for Rural Development.</p> <p>Elevation of audit to higher level.</p> <p>Possibility of being reported to the President and Congress in the Office of the Chief Financial Officer's (OCFO's) Performance and Accountability Report.</p> <p>If investigations and hotline complaints are not resolved timely, there is a risk of adverse actions or possible program mismanagement.</p>	<p>Follow the guidelines set forth in RD Instructions 2006-M, 2012-A and -B to track and monitor all audits, investigations, and hotlines information in the Automated Reports Tracking System (ARTS).</p> <p>Monitor for timely responses from managers utilizing the ARTS; advising managers of overdue responses and possible consequences.</p> <p>Review S/O ARTS tracking of audit investigation and hotline data for effective monitoring.</p> <p>Send copies of requests for information related to audits, investigations, and hotlines to the Financial Management Division (FMD).</p> <p>Send copies of responses timely to FMD.</p> <p>Submit timely and complete responses to the Office of the Inspector General (OIG) and OCFO.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION I: AUDITS, INVESTIGATIONS AND HOTLINES (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
State Director (SD) will ensure that the MCO is designated in writing to monitor, track, and keep safe all requests for audits, investigations, and hotlines. Confidentiality will be maintained on a need to know basis.	HIGH	Leaks of information to audited and investigated parties. Lack of timely responses. Risk of possible fraud, waste, abuse, and misuse of Government assets.	Require MCO participation in all entrance and exit conferences. Files will be maintained by the MCO. Files will be accessed through the MCO on a need to know basis. Files will be kept in a locked cabinet except when being used. Confidentiality will be maintained at all times.
Ensure proper maintenance and retention of audit, investigation, and hotline files in accordance with Rural Development regulations.	LOW	Violation of Rural Development regulations. Lack of audit history. Lack of documentation for future reference.	Review filing system for retention and maintenance requirements and required correspondence.

Ensure Rural Development awareness of audit findings and recommendations.	MEDIUM	<p>Offices not included in the audit are not informed of problems/findings and these offices may have similar problems.</p> <p>Training not provided on areas where deficiencies are occurring.</p>	<p>Require an analysis of audit findings for National Office (N/O) and S/Os (RD Instruction 2012-A).</p> <p>Require SD and MCO to inform offices within state of audit findings (RD Instruction 2012-A).</p> <p>S/O managers should review findings and perform training on areas identified as problems in audits (RD Instruction 2012-A).</p>
Ensure ARTS is updated in a timely manner to comply with RD Instructions 2006-M and 2012-A and -B.	MEDIUM	<p>Lack of timely responses.</p> <p>Inadequate or incorrect data.</p> <p>Potential for loss to the Government.</p> <p>Violations of regulations.</p>	<p>Review ARTS screens for required components and data entry.</p> <p>Periodically print and review reports to ensure data entered is correct and timely responses are received.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION II - COLLECTIONS**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure S/O collection duties and activities comply with RD Instruction 1951-B.	HIGH	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>Supervisor or designee will review collections on a daily basis and document findings.</p> <p>Semi-annual review of the safeguarding and handling of collection activity in the S/O is conducted to determine that the associated duties are rotated at least semi-annually.</p> <p>Annual oversight review of S/O collections is conducted using RD Instruction 1951-B.</p>
Ensure the associated duties of receiving and processing collections are rotated at least semi-annually in all offices.	MEDIUM	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>Area Directors (ADs) and/or S/O staff perform annual reviews of the receiving and processing of collections, including separation of duties, and document their findings.</p> <p>Documentation of findings in the operational files should be sufficient enough for the reviewer to determine an audit trail.</p>

<p>Ensure the Collections portion of the Financial Management section of the SIR Handbook is performed during State Internal Reviews (SIRs).</p>	<p>MEDIUM</p>	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>SIR team member will perform a review of the collection reviews during SIRs of the S/O, Area Offices (A/Os), and Local Offices (L/Os).</p> <p>SIR team member will document their findings and include in the SIR written report to the SD, AD, and Rural Development Manager (RDM) as appropriate.</p> <p>Recommendations for corrective actions will be made and follow-up performed by the AD and RDM as appropriate.</p> <p>The MCO and State Senior Management (SSM) team will review AD and RDM responses and make recommendations for closure or additional action.</p> <p>MCO is responsible for tracking all corrective actions until closure by the SD.</p>
--	---------------	---	--

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION II - COLLECTIONS**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
<p>Ensure the Form RD 1951-44 is completed monthly by the office supervisor and annually by the next level supervisor or designee. (RDMs review L/Os monthly and AD reviews annually. AD reviews A/Os monthly and S/O reviews annually.)</p>	<p>HIGH</p>	<p>Possibility of fraud, theft, or misuse of Government funds.</p> <p>Common errors of misapplied payments.</p> <p>Interest loss to the Government.</p>	<p>The Form RD 1951-44 will be completed monthly/annually as required on S/O collections, with a copy maintained in the S/O operational file.</p> <p>The Form RD 1951-44 will be completed annually for all the L/Os and A/Os by ADs for L/Os and either S/O or another A/O for all A/Os. A copy will be sent to the SD/MCO with a copy maintained by the L/O and A/O.</p> <p>The Form RD 1951-44 will be completed monthly for all A/Os and L/Os by the office supervisor and retained in the A/O and L/O operational files.</p> <p>The MCO will have a system to track and monitor to assure The RD Form 1951-44s and Forms Manual Insert (FMI) are completed in accordance with instructions for performing the reviews.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION III - STATE INTERNAL REVIEWS**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure S/O is in compliance with requirements of the RD Instruction 2006-M and DR 1110-2.	MEDIUM	Violation of Department and Rural Development regulations.  Lack of management controls within Rural Development programs.	FMD serves as the focal point for all the S/O's management control issues including audit, investigation, and hotline complaint inquiries/responses.  Require that current RD Instruction 2006-M is used to ensure compliance with Department and Rural Development policies.  Review State procedures and policies during reviews.  As necessary, conduct regional teleconferences with State employees to discuss changes in policy, problem areas, and reinforce policy requirements.
Ensure State's management control program is in compliance with RD Instruction 2006-M.	HIGH	No consistency in management control programs nationwide.	Conduct periodic review of the State's management control program.  As necessary, provide training to State employees on all Federal, Department, and Rural Development requirements.
Ensure S/O is using the current RD Instruction 2006-M.	MEDIUM	Inconsistent policies carried out in field offices.  Problems in SIR process not corrected timely - process ineffective.	Require that State Instructions or other written policies and procedures regarding the SIR process are in accordance with current RD Instruction 2006-M.

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure adequate personnel are designated to assist the SD to carry out management control responsibilities.	MEDIUM	<p>Lack of clear direction and awareness of responsibility could cause an ineffective management control program.</p> <p>Miscommunication and confusion among staff.</p>	<p>Require SD designate the MCO, SSM team, and SIR team members in writing to carry out responsibilities detailed in RD Instruction 2006-M.</p> <p>Require notification of MCO designation to all personnel within a state.</p> <p>Require MCO to report directly to SD to keep SD informed of all management control issues.</p> <p>Require updates and changes to MCO designation be submitted to FMD.</p> <p>Require SIR team members to be knowledgeable S/O staff.</p> <p>Require performance plans for MCO, SSM team, and SIR team members to ensure they are held accountable for management control issues.</p>



<p>Ensure 5-year SIR cycle is maintained.</p>	<p>HIGH</p>	<p>Offices will not be reviewed within a 5-year cycle as required. All offices will not be reviewed. Some offices will be reviewed more than other offices without reason. Problems may not be detected and corrected for an extended period of time. Problems may escalate before being detected and corrected.</p>	<p>Require a 5-year plan of SIRs that are to be performed in each fiscal year, scheduling all field offices and centralized program functions to assure reviews are accomplished on a minimum 5-year cycle. Require annual updates to the 5-year SIR plan so that the current 5-year cycle is always reflected. Maintain a copy of planned and completed reviews documenting reasons for eliminating reviews or rescheduling in S/O RD Instruction 2006-M operational file. Require SSM team and MCO to select offices for SIRs/Mini-SIRs and establish the 5-year SIR plan and subsequent updates. Obtain written waivers from FMD, if reviews are unable to be completed due to shortage of personnel, etc.</p>
---	-------------	--	---

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW  
SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure SIRs are coordinated and comprehensive.	HIGH	<p>Risk of possible fraud, waste, abuse, and misuse of Government monies and assets.</p> <p>Without team review, reviews are sporadic and not comprehensive.</p> <p>Disruption to reviewed offices not kept to a minimum.</p> <p>Lack of coordination effort may reduce impact and efficiency of review process.</p>	<p>Require reviews that are comprehensive in nature including all items in the SIR Handbook (at a minimum) and reviewers must document when questions are not applicable "N/A."</p> <p>SIRs should be performed simultaneously by a joint team, with a SIR team coordinator (MCO), and SIR team members.</p> <p>Require MCO to serve as team coordinator for all SIRs.</p> <p>Require that appropriate external customers (borrowers, lenders, Realtors, etc.) are included in the SIR through documented interviews.</p> <p>Require that the appropriate number of dockets is reviewed and findings documented.</p>
Ensure centralized program functions are included and properly reviewed in the SIR process.	HIGH	<p>Risk of possible fraud, waste, abuse, and misuse of Government assets within a centralized program.</p> <p>Possibility of staff reviewing their own work and not reporting findings or weaknesses within the programs.</p> <p>No review conducted of a centralized program.</p>	<p>Require the inclusion of centralized program functions in the 5-year SIR schedule.</p> <p>Require review from external resources to avoid staff reviewing their own work.</p> <p>Review documentation of assistance received from external resources.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure SIRs are conducted in accordance with RD Instruction 2006-M.	HIGH	<p>Risk reports and responses that are not timely.</p> <p>Possible confusion and inefficiency in the review process.</p> <p>Uninformed and/or misinformed staff.</p> <p>Negative impact on the SIR process, as well as working conditions.</p>	<p>Offices scheduled for review must be notified in writing at least 20 workdays in advance of the SIR.</p> <p>Require entrance conferences at the beginning of each SIR.</p> <p>Require exit conferences at the end of each SIR with participation of all SIR team members and staff from the reviewed office.</p> <p>Require SD and AD (or their designees) and the MCO participation in all exit conferences.</p> <p>SIR team members should discuss tentative review findings with staff from the reviewed office at the exit conference and provide reviewed office with draft report.</p>

<p>Ensure SIR Final Report is issued in a timely manner.</p>	<p>MEDIUM</p>	<p>Problems overlooked or not taken seriously if not identified in written SIR Report.</p> <p>No accountability for managers if report is not issued and corrective actions are not required.</p> <p>Potential for fraud, waste, and abuse of Government assets to continue unnecessarily.</p> <p>Lack of emphasis on review process and review findings if report is not issued in a timely manner.</p>	<p>SIR team members required to submit final written reports of findings to the S/O, Attn: MCO, within 10 workdays of the date of the exit conference.</p> <p>The reviewed office is required to respond within 10 workdays of the date of the exit conference with an action plan to correct weaknesses reported in the exit conference.</p> <p>MCO and SSM Team review the draft SIR Report.</p> <p>SIR team coordinator (MCO) to issue final SIR Report within 30 workdays of the exit conference under SD signature.</p> <p>Require report follow the format in RD Instruction 2006-M and review for compliance.</p>
--	---------------	--	--

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW  
SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure SIR Final Reports are complete and in compliance with RD Instruction 2006-M.	MEDIUM	<p>Missing information may cause confusion in responses and follow-up activities.</p> <p>Lack of documentation for future reference.</p> <p>Weaknesses/deficiencies may be overlooked.</p>	<p>SIR Final Reports must be comprehensive and contain a cover sheet, executive summary, a summary by each program/administrative area, plans for implementation of corrective actions, timeframes for follow-up, and dates for the next SIR and any Mini-SIRs.</p> <p>Program/administrative summaries must identify strengths, weaknesses, recommendations for corrective actions and target dates for completion, responsible person, and documents needed.</p> <p>Each weakness in the report has a corresponding recommendation for corrective action with a target date for completion.</p>

<p>Ensure Mini-SIRs are conducted when required.</p>	<p>HIGH</p>	<p>Problem areas continue to deteriorate without further attention and review.</p> <p>Non-compliance has no consequences and problems recur.</p>	<p>Compliance scores are to be calculated utilizing the SIR Handbook automated spreadsheets provided by FMD.</p> <p>Where compliance is less than 80%, a Mini-SIR is to be conducted within 6 months of the SIR Final Report for Administrative areas and within 12 months of the SIR Final Report for Program areas. After the initial Mini-SIR, an additional Mini-SIR will be conducted every 6 months until compliance reaches 80%.</p> <p>Mini-SIR reviewers must document findings in a final report to the SD, with copies to AD and reviewed office, as appropriate, within 10 workdays of the Mini-SIR.</p> <p>Mini-SIRs require the same tracking and monitoring as full SIRs until all corrective actions have been implemented and the report is closed.</p> <p>Require monitoring and tracking of all Mini-SIRs separate from the SIRs.</p>
--	-------------	--	--

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure timely closure of SIR Reports.	MEDIUM	<p>Reports closed without adequate review of responses and corrective actions may not have been performed.</p> <p>Inadequate responses and corrective actions.</p> <p>S/O management not working as a team to resolve identified problems.</p> <p>The same problems continue.</p> <p>Loss of funds or assets due to fraud, waste, and abuse not identified or corrected.</p>	<p>Require the use of ARTS to monitor follow-up activities that meet requirements of RD Instruction 2006-M.</p> <p>Report responses must be routed to S/O staff and SSM Team, and recommendations for closure are to be acted on timely by the SD.</p> <p>Appropriate ADs and RDMs must take corrective action to resolve the weaknesses identified and report, in writing, within 60 workdays of the issuance of the SIR Final Report, through the AD, to the SD.</p> <p>ADs are responsible to see that their RDMs respond timely and they are accountable to see that corrective actions have been taken and there is an audit trail.</p> <p>SD to notify AD and RDM if further action is required and give another 60 workdays to respond until all actions are acceptable.</p> <p>When all corrective actions have been performed satisfactorily and documented, the SD issues a closure letter to the RDM and CDM stating no further action is required.</p> <p>MCO oversees this process in the S/O and assures that follow-up is monitored and tracked effectively and that a documented audit trail is available in the S/O operational files.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION III - STATE INTERNAL REVIEWS (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure Rural Development awareness of SIR findings and recommendations.	HIGH	<p>States/Offices not reviewed are not informed of problems found in SIR process and these offices may continue making the same errors.</p> <p>Training not provided in areas where deficiencies are occurring.</p>	<p>Require annual summary of SIR findings to be sent to FMD by December 31<sup>st</sup> each year.</p> <p>Require S/O managers review findings and perform training in areas identified as problems.</p> <p>Require that SD share summary of SIR findings with all employees within their State for problem awareness.</p> <p>Require nationwide compilation and analysis by FMD of all annual SIR summaries distributed nationwide for problem awareness.</p>



**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION IV - FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT**  
**IMPLEMENTATION**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Ensure compliance with RD Instructions 2060-A and 2006-M; and Federal Managers' Financial Integrity Act (FMFIA) requirements.	HIGH	<p>Potential for waste, fraud, and abuse of Government assets.</p> <p>Lack of management controls allows problems to escalate without being detected and corrected.</p> <p>Inability to report reasonable assurance in Section 2 of the FMFIA Year-end Report.</p>	<p>Conduct periodic reviews of the State's management control program.</p> <p>Ensure RD Instructions are current.</p> <p>Provide Management Control training to staff within the state.</p>
Establish a central person in each State to fulfill the requirements of FMFIA and provide guidance to the designated Deputy MCO (the SD).	HIGH	<p>No implementation of FMFIA within the State.</p> <p>Some controls in place in State but no central contact person, lack of continuity, and no follow-up to assure changes are made.</p> <p>Losses of Government assets due to fraud, waste, and abuse.</p>	<p>SD designates a central contact person as the MCO for the State in writing to the individual and all State employees.</p> <p>Place MCO duties in the individual's position description and establish some form of measurable criteria in the MCO's performance plan</p>
Assure that the MCO has management controls as a critical element in their performance plan and has adequate time to perform the duties assigned.	HIGH	<p>If not a critical element, the management control work may become low priority.</p> <p>Not having one person in control for early detection of potential risk areas within the State.</p>	<p>Management Controls/Resource Management is a critical element in the MCO's performance plan.</p> <p>Notify FMD when MCO changes occur so no lapse of time takes place and arrangements for training can be made.</p>

**FY 2006 FINANCIAL MANAGEMENT DIVISION REVIEW**  
**SECTION IV - FMFIA IMPLEMENTATION (Continued)**

<b>CONTROL OBJECTIVE</b>	<b>RISK LEVEL</b>	<b>POTENTIAL RISK</b>	<b>CONTROL TECHNIQUE</b>
Meet the requirements of the law, FMFIA, DR 1110-2, and OMB Circular A-123, that all managers must comply with management controls and assure to the best of their ability that they are doing all within their power to prevent losses due to fraud, waste, and abuse.	HIGH	Possible violation of the law, potential administrative action may be taken.  Potential for waste, fraud, and abuse of Government assets.	Ensure that a Resource Management element is present as a stand alone element in the performance plans for all managers and supervisors GS-13 and above  Provide periodic training in the area of management controls to managers and employees to keep them apprised of their responsibilities.

**FINANCIAL MANAGEMENT DIVISION  
REVIEW**

**FY 2006**

**SECTION I  
AUDITS, INVESTIGATIONS, & HOTLINES**

<b>STATE NAME</b>
<b>REVIEW DATE</b>
<b>REVIEWER</b>
<b>INTERVIEWEES</b>

**SECTION I**  
**AUDITS, INVESTIGATIONS, AND HOTLINES**

**OIG/GAO AUDITS:**

1. Are all Office of the Inspector General (OIG) audits and related materials maintained in a locked cabinet or other locked repository? [RD Instruction 2012-A, 2012.32(b)]	YES _____	NO _____	N/A _____	# Rev'd * _____	# Discr' ** _____
2. Are the audits and related materials maintained by the Management Control Officer (MCO)? [RD Instruction 2012-A, 2012.12(f), 2012.32(a)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> to (1) and/or (2), explain.					
3. Are audit recommendations tracked and monitored by the MCO in the Automated Reports Tracking System (ARTS) for follow-up? [RD Instructions 2012-A, 2012.12(f)(13) & 2006-M, 2006.605(h)(12)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
4. Are Multi-State OIG audits being tracked and monitored in ARTS by the MCO? (Check to ensure the MCO is adding their 2-digit state postal code abbreviation to the end of the audit number, e.g., 04099-001-CH-WI.) [RD Instruction 2006-M, 2006.605(h)(12)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

\* Reviewed

\*\* Discrepancies

OIG/GAO AUDITS (continued):					
5. Does the MCO attend all OIG and Government Accounting Office (GAO) entrance and exit conferences? [RD Instructions 2006-M; 2012-A, 2012.12(f)(1)]	YES —	NO —	N/A —	# Rev'd —	# Discr' —
If no, explain.					
6. Are responses to open audit reports submitted in a timely manner? [RD Instruction 2012-A, 2012.12(f)(4)]	YES —	NO —	N/A —	# Rev'd —	# Discr' —
If no, explain.					
7. Are any state audits open without management decision over 180 calendar days of the report date? [RD Instruction 2012-A, 2012.12(E)(15)(ii)]	YES —	NO —	N/A —	# Rev'd —	# Discr', —
8. If yes, has the MCO notified the Financial Management Division (FMD) of possible elevation to the National Office? [RD Instruction 2012-A, 2012.12(f)(7)]	YES —	NO —	N/A —	# Rev'd —	# Discr', —
9. Have all state audits reached final action within 1 year of the management decision date? [RD Instruction 2012-A, 2012.12(f)(13)(iv)]	YES —	NO —	N/A —	# Rev'd —	# Discr', —
10. Are audit findings and recommendations shared within the State? [RD Instruction 2012-A, 2012.12(f)(14)] Obtain a copy of memo, e-mail, etc., for documentation.	YES —	NO —	N/A —	# Rev'd —	# Discr', —

11. Does ARTS contain all data required by RD Instructions 2012-A [RD Instruction 2012-A, 2012.12(f)(13)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>OIG/GAO AUDITS (continued):</b>					
12. Are OIG audits and related correspondence retained for 8 FYs after closure date? [RD Instruction 2012-A, 2012.32(a) & (c)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>HOTLINES AND INVESTIGATIONS:</b>					
13. Are OIG investigations and related materials maintained in a locked cabinet or other locked repository? [RD Instruction 2012-B, 2012.60(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
14. Are investigation and related correspondence retained for 10 FYs after closure date? [RD Instruction 2012-B, 2012.60(a)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
15. Are OIG investigations and related materials maintained by the MCO? [RD Instruction 2012-B, 2012.64(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no, explain.</b>					
16. Are investigations tracked in ARTS and monitored for follow-up in accordance with RD Instructions 2006-M and 2012-B? [RD Instruction 2006-M, 2006.605(H)(12) and 2012-B, 2012.59(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

17. Are copies of all State responses to investigations routed through the MCO for tracking and monitoring purposes? [RD Instruction 2012-B, 2012.59(b) and 2012.64(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
<b>HOTLINES AND INVESTIGATIONS (continued):</b>					
18. Are copies of new requests for investigations forwarded to FMD by the MCO, as required by RD Instruction 2012-B? [RD Instruction 2012-B, 2012.56(c)(2)(iii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
19. Are responses to investigations submitted to FMD in a timely manner? [RD Instruction 2012-B, 2012.59(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
20. Are responses to hotlines submitted in a timely manner to FMD as required? (To FMD within 30 to 45 days.) [RD Instruction 2012-B, 2012.64(b)(3)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
21. Are copies of all State responses to hotlines routed through the MCO for tracking and distribution purposes? [RD Instruction 2012-B, 2012.59 and 2012.64(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

22. Are hotlines and related correspondence retained for 5 FYs after closure date? [RD Instruction 2012-B, 2012.64(c)] <b>Old 2012-B requires 10 years</b>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
23. Are OIG hotline complaints and related materials maintained by the MCO? [RD Instruction 2012-B, 2012.64(b) and (c)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
<b>HOTLINES AND INVESTIGATIONS (continued):</b>					
24. Are hotline complaints tracked in ARTS and monitored for follow-up in accordance with RD Instructions 2006-M and 2012-B? [RD Instructions 2006-M 2006.608(g)(2)(iv) and 2012-B, 2012.59(b)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
<b>SINGLE AUDITS:</b>					
25. Are copies of all State responses to audits routed through the MCO for tracking in ARTS and distribution purposes? [RD Instruction 2012-A, 2012.12(f)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
26. Are copies of all correspondence that pertains to audits forwarded to the FMD? [RD Instruction 2012-A, 2012.24(f)(3)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____



27. Are single audits and related correspondence retained for 5 FYs after closure date? [RD Instruction 2012-A, 2012.32(c)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
NOTES:					

**FINANCIAL MANAGEMENT DIVISION  
REVIEW**

**FY 2006**

**SECTION II  
COLLECTIONS**

<b>STATE NAME</b>
<b>REVIEW DATE</b>
<b>REVIEWER</b>
<b>INTERVIEWEES</b>

## SECTION II COLLECTIONS

1. What guidance is the state using for collection activity? Write answer below.

2. How many offices within the state have collection activities (including the State Office?

\_\_\_\_\_ offices out of \_\_\_\_\_ offices.

List the offices and their programs that have collection activities (e.g. XYZ - MFH, SFH):

<p>3. Do SIR teams complete the Financial Management subsection of the Administrative Section of the SIR Handbook during reviews of Field Offices; documenting their findings, including corrective actions, in a written report to the State Director (SD), Area Director (AD), and Regional Development Manager (RDM)? [RD Instruction 2006-M, 2006.609(3)]</p>	<p>YES</p> <p>_____</p>	<p>NO</p> <p>_____</p>	<p>N/A</p> <p>_____</p>	<p># Rev'd*</p> <p>_____</p>	<p># Discr' **</p> <p>_____</p>
---	-------------------------	------------------------	-------------------------	----------------------------------	---

<p>4. Have corrective actions been taken by the ADs and the RDMs on recommendations made in the final SIR Reports? [RD Instruction 2006-M, 2006.609(j)(1)(x)]</p>	<p>YES</p> <p>_____</p>	<p>NO</p> <p>_____</p>	<p>N/A</p> <p>_____</p>	<p># Rev'd</p> <p>_____</p>	<p># Discr'</p> <p>_____</p>
---	-------------------------	------------------------	-------------------------	---------------------------------	----------------------------------

**If no**, explain.

\* Reviewed

\*\* Discrepancies

5. Are monthly collection reviews being monitored by the field office supervisor for all offices processing collections? [RD Instruction 1951-B, 1951.55(j)(2), RD Form 1951-44, and Forms Manual Insert (FMI)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain how.					
6. For annual oversight reviews, are copies of the completed Form RD 1951-44, "Management Control and Review of Field Office Collection Activities," sent to the SD/MCO, Area Office Supervisor, and the Local Office Supervisor for each office reviewed? [RD Instruction 1951-B, 1951.55(j)(3), RD Form 1951-44 and FMI]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>Who</b> conducts these annual oversight reviews?					
7. Does the MCO monitor to ensure that all offices receiving and processing collections rotate the associated duties semi-annually? [RD Instruction 1951-B, 1951.55(j)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
8. If collections are not being conducted according to RD Instruction 1951-B, describe how they are being processed					
NOTES:					

**FINANCIAL MANAGEMENT DIVISION  
REVIEW**

**FY 2006**

**SECTION III  
STATE INTERNAL REVIEWS**

<b>STATE NAME</b>
<b>REVIEW DATE</b>
<b>REVIEWER</b>
<b>INTERVIEWEES</b>

### SECTION III STATE INTERNAL REVIEWS

1. Are current State Instructions or other written policies and procedures regarding the State Internal Review (SIR) process in accordance with RD Instruction 2006-M? [RD Instruction 2006-M, 2006.605(h)(17)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
2. Has the SD designated a State Senior Management (SSM) team in writing to assist the MCO with the planning through closing of SIRs? [RD Instruction 2006-M, 2006.605(f)(1)((ii) and (g)]. Obtain a copy of the designation Letter for documentation.	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
3. Does the state maintain a SIR 5-year plan that shows SIRs were planned and performed on a minimum 5-year rotational basis? [RD Instruction 2006-M, 2006.605(f)(3), (g)(1), and (h)(4)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
<b>If yes</b> , who is responsible for maintaining and updating the 5-year plan?					
4. Does the SSM team and MCO review and update the SIR 5-year plan on an annual basis? [RD Instruction 2006-M, 2006.605(g)(1) and (h)(4)(i)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>How</b> is this accomplished?					

\* Reviewed

\*\* Discrepancies

5. Does the SSM team and MCO utilize various reports (e.g., management, DCFO Reports, FOCUS, etc.) in developing the SIR 5-year plan? [RD Instruction 2006-M, 2006.605 (g)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , What information is used?					
6. Does the state maintain a separate schedule/plan for Mini-SIRs that are required after SIRs are completed? [RD Instruction 2006-M, 2006.605(h)(5)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
7. Have SIRs been distributed over the 5-year plan so that 20% of all offices are reviewed each year? [RD Instruction 2006-M, 2006.605(h)(6)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
8. If a SIR has not been conducted within the 5-year cycle, has the State Office obtained a waiver from FMD? Obtain a copy of the waiver for documentation.	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
9. Have the annual updates to the SIR 5-year plan been submitted to FMD? [RD Instruction 2006-M, 2006.605(f)(3)(ii)(A) and (h)(4)(ii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
10. If revisions to the SIR 5-year plan have been made between annual updates, has a copy of the revision been submitted to FMD? [RD Instruction 2006-M, 2006.605(f)(3)(ii)(B) and (h)(4)(ii) and (iii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

11. Are SIRs conducted on a more frequent basis than the required minimum 5-fiscal year cycle? [RD Instruction 2006-M, 2006.609(b)(1)(i)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
--	--------------	-------------	--------------	---------------------	----------------------



<p><b>If yes, explain.</b></p> <p>[NOTE: This is a strength question and a "NO" is <u>not</u> considered a weakness.]</p>					
<p>12. Are centralized program functions included on the SIR 5-year plan? [RD Instruction 2006-M, 2006.609(c)(1)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p>13. Have any centralized program functions been reviewed since the last review by FMD?</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p><b>If yes, answer questions 13A-13D</b>  <b>If no, mark 13A-13D "N/A" and proceed to #14.</b></p>					
<p>A. If assistance from another state was necessary to conduct the SIR of a centralized program function, was a written request made to the SD providing the assistance? [RD Instruction 2006-M, 2006.609(c)(3)(i)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p>B. If assistance from another state was provided, did the SD requesting the assistance designate the SIR team member(s) from the other state in writing? [RD Instruction 2006-M, 2006.609(c)(3)(ii)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p>C. If another state provided assistance with a SIR of a centralized program function:</p>					
<p>i. Were copies of all correspondence routed through the MCOs of both states? [RD Instruction 2006-M, 2006.609(c)(3)(iii)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p>ii. Were copies of this correspondence provided to the designated SIR team member(s) and their supervisors? [RD Instruction 2006-M, 2006.609(c)(3)(iii)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p>D. If assistance was requested from the National Office through FMD, was the request in writing and did it provide justification for the assistance? [RD Instruction 2006-M, 2006.609(c)(4)]</p>	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

14. Has the SD designated all SIR team members in writing? [RD Instruction 2006-M, 2006.605(f)(1)(iii) and 2006.609(c)(2)(ii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
15. Is the SIR team comprised of State Office staff that is knowledgeable of the area being reviewed? [RD Instruction 2006-M, 2006.609(c)(2)(i)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
16. Are SIR team members <b>not</b> reviewing their own work? [RD Instruction 2006-M, 2006.609(c)(2)(iii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
17. Is the MCO the team coordinator for each SIR/Mini-SIR? [RD Instruction 2006-M, 2006.605(h)(2) and 2006.609(c)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
18. Do State Office operational files provide an audit trail which clearly indicates that the field offices/centralized program functions were notified 20 working days prior to any SIR/Mini-SIR? [RD Instruction 2006-M, 2006.605 (h)(7) and 2006.609(d)(3)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
19. Does the SIR team conduct an entrance conference with the reviewed office at the beginning of the SIR to discuss the purpose and scope? [RD Instruction 2006-M, 2006.609(d)(4)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

20. Are SIRs of field offices/centralized program functions comprehensive in nature, including administrative and program areas? [RD Instruction 2006-M, 2006.609(d)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain any specific areas being left out? Why?					
21. Are the current SIR Handbook review guides used to conduct the SIR? [RD Instruction 2006-M, 2006.609(b)(1)(iii) and (d)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
22. Has the state supplemented the SIR Handbook? [RD Instruction 2006-M, 2006.609(b)(1)(iv)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If yes</b> , what supplements were made?					
Obtain copies for documentation.					
23. Are SIR team members indicating "N/A" on the review guide when questions do not apply? [RD Instruction 2006-M, 2006.609(d)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
24. Are interviews conducted and documented in the SIR Report for Rural Development employees, lenders, borrowers, and organizations that routinely deal with the public? [RD Instruction 2006-M, 2006.609(d)(5)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

25. For individual-type loans are at least 10 dockets being reviewed by the SIR team in each program area, and a representative sample of dockets reviewed for group-type loans? [RD Instruction 2006-M, 2006.609(d)(6)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
26. Did the review of loan dockets include loans recently closed, borrowers with servicing problems, guaranteed and direct loans, property in inventory, and rejected/withdrawn applicants? [RD Instruction 2006-M, 2006.609(d)(6)(i)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
27. Do dockets reviewed as part of the SIR contain the review date, reviewer's signature, and a statement that the findings and documentation are in the official SIR file? [RD Instruction 2006-M, 2006.609(d)(6)(ii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
28. Are SIR exit conferences held with the staff of the field office/centralized program function being reviewed? [RD Instruction 2006-M, 2006.609(d)(7)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
29. Are the SD and Area Director, or their designees, and the MCO participating in SIR/Mini-SIR exit conferences (either in person or by teleconference)? [RD Instruction 2006-M, 2006.605(f)(2), (h)(3), and (k)(1) and 2006.609(d)(7) and (8)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

30. Are the SIR team members discussing tentative findings (strengths and weaknesses) with the field office/centralized program function reviewed? [RD Instruction 2006-M, 2006.609(d)(7)]	YES ——	NO ——	N/A ——	# Rev'd ——	# Discr' ——
<b>If no</b> , explain.					
31. Do the SIR team members submit the final report of findings to the SD, Attention: MCO, within 10 working days of the date of the SIR exit conference? [RD Instruction 2006-M, 2006.609(e)(1)]	YES ——	NO ——	N/A ——	# Rev'd ——	# Discr' ——
<b>If no</b> , explain.					
32. Did the reviewed field office/centralized program function provide an action plan to the SD, Attention: MCO, in response to the exit conference weaknesses within 10 working days of the date of the exit conference? [RD Instruction 2006-M, 2006.609(e)(2)]	YES ——	NO ——	N/A ——	# Rev'd ——	# Discr' ——
<b>If no</b> , explain.					
33. Is there documentation in the SIR files to support that the SSM team assisted the MCO with the review of the SIR team findings and the reviewed offices' action plans? [RD Instruction 2006-M, 2006.609(e)(3)]	YES ——	NO ——	N/A ——	# Rev'd ——	# Discr' ——
<b>If no</b> , explain.					

34. Was the final SIR Report issued within 30 working days from the date of the exit conference? [RD Instruction 2006-M, 2006.609(e)(5)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
35. Was the final report issued under the SD's signature? [RD Instruction 2006-M, 2006.605 (f)(5) and (h)(8) and (9) and 2006.609(e)(5)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
36. Did the final report contain all the required components? (Cover sheet (Exhibit A); executive summary; summaries by program/administrative area; and corrective actions with target dates for completion, responsible person, and documentation to reflect implementation.) [RD Instruction 2006-M, 2006.609(e)(4)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , which components were missing?					
37. Is Exhibit A of RD Instruction 2006-M, or a similar format containing the same information, used as the cover sheet for the final report? [RD Instruction 2006-M, 2006.609(e)(4)(i)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
38. Do summaries of review findings by program and administrative function area identify strengths and weaknesses? [RD Instruction 2006-M, 2006.609(e)(4)(iii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

39. Does each weakness have a corresponding recommended corrective action with a target date for completion, responsible person, and documentation to reflect implementation? [RD Instruction 2006-M, 2006.609(e)(4)(iv)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
40. Does the SIR operational file contain all the supporting documentation (review guides, checklists, etc.) from the review? [RD Instruction 2006-M, 2006.609(f)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
41. Are compliance scores calculated for each area to determine if Mini-SIRs are required? [RD Instruction 2006-M, 2006.609(d)(9)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If yes</b> , attach copies for documentation (i.e., SIR Handbook spreadsheet). <b>If no</b> , explain.					
42. Has the SD required a Mini-SIR when the compliance score has been above 80 percent? [RD Instruction 2006-M, 2006.609(j)(2)(i)(D)(2)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If yes</b> , explain reasons.					
43. If Mini-SIRs are required, are tentative dates for the review included in the SIR Final Report? [RD Instruction 2006-M, 2006.609(e)(4)(i)(G)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

<p>44. Did the responsible Area Director/Rural development Manager provide written status reports to the SD every 60 working days until all corrective actions had been implemented and the report closed? [RD Instruction 2006-M, 2006.609(j)(1)(ii) and (x)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p><b>If no</b>, explain.</p>					
<p>45. Are the MCO and entire SSM team reviewing the status reports from the Area Director and RDMs and making recommendations for further action or closure to the SD within 10 working days of receipt of the status report? [RD Instruction 2006-M, 2006.609(j)(1)(vii)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p><b>If no</b>, explain.</p>					



46. Is there clear documentation (audit trail) of SSM team and MCO reviews and recommendations of status reports in the State Office operational files? [RD Instruction 2006-M, 2006.605(g)(6) and (h)(10) and (11) and 2006.609(j)(1)(vii)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
47. Are all field office/centralized program function status reports responded to by an SD memorandum? [RD Instruction 2006-M, 2006.609(j)(1)(ix)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
48. Are all SIRs/Mini-SIRs of field offices/centralized program functions closed by a SD memorandum? [RD Instruction 2006-M, 2006.605 (f)(6) and 2006.609(j)(1)(ix)(B)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
49. If Mini-SIRs are required:					
A. Are they completed within 6 months for administrative areas or 12 months for program areas of the date of the final SIR Report? [RD Instruction 2006-M, 2006.609(j)(2)(i)(C)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
B. Are the dockets that contained the weaknesses from the SIR reviewed again to ensure that corrective actions have been implemented? [RD Instruction 2006-M, 2006.609(j)(2)(i)(E)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

<p>C. Are new dockets reviewed to ensure the process has been corrected and new errors are not occurring? [RD Instruction 2006-M, 2006.609(j)(2)(i)(E)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p>D. Are Mini-SIR team reviewers documenting their findings and conclusions in a final Mini-SIR Report to the SD, Attn: MCO, within 10 working days of the date of the Mini-SIR? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(A)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p><b>If no</b>, explain.</p>					
<p>E. Are copies of the final Mini-SIR Report provided to the Area Director and the reviewed office, as appropriate? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(A)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p>49. If Mini-SIRs are required (continued):</p>					
<p>F. Are Mini-SIR team reviewers providing information, documentation, and specific dates that corrective actions were taken to support the Mini-SIR findings? [RD Instruction 2006-M, 2006.609(j)(2)(ii)(B)]</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>
<p><b>If no</b>, explain.</p>					
<p>50. Is the MCO utilizing the Automated Reports Tracking System (ARTS) to track and monitor the status of all SIRs/Mini-SIRs? [RD Instruction 2006-M, 2006.605(h)(12)] Obtain a copy of State Office tracking system for documentation.</p>	<p>YES _____</p>	<p>NO _____</p>	<p>N/A _____</p>	<p># Rev'd _____</p>	<p># Discr' _____</p>

51. Are the SIRs/Mini-SIRs summarized annually (SIR Summary Report) and a copy provided to the Director, FMD by December 31? [RD Instruction 2006-M, 2006.605 (f)(7) and (h)(13) and 2006.609(h)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
52. Are SIR Summary Reports shared with all offices for problem awareness? [RD Instruction 2006-M, 2006.605(f)(7)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
53. Does the State Office utilize the Nationwide SIR Summary Report when developing the State's Annual Training Plan? [RD Instruction 2006-M, 2006.605(f)(8)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
54. Does the current State SIR Summary contain recurring trends? [RD Instruction 2006-M, 2006.609(h)(7)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					

NOTES:

**FINANCIAL MANAGEMENT DIVISION  
REVIEW**

**FY 2006**

**SECTION IV  
FEDERAL MANAGERS'  
FINANCIAL INTEGRITY ACT**

<b>STATE NAME</b>
<b>REVIEW DATE</b>
<b>REVIEWER</b>
<b>INTERVIEWEES</b>

**SECTION IV  
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT  
IMPLEMENTATION**

**SECTION IV. (Note: All references to the MCO also include the Alternate MCO.)**

1. Has the State Director (SD) designated the State Management Control Officer (MCO) in writing to have the oversight responsibility in implementing and maintaining the Management Control process? [RD Instruction 2006-M, 2006.605(f)(1)(i)]	YES _____	NO _____	N/A _____	# Rev'd* _____	# Discr' ** _____
2. Have all personnel within the state been notified of the MCO designation? [RD Instruction 2006-M, 2006.605(f)(1)(i)(A)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
3. Have all changes in the MCO designation, or changes in the current MCO's phone and FAX numbers and e-mail and mailing addresses, been submitted to the FMD? [RD Instruction 2006-M, 2006.605(f)(1)(i)(B)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
4. Does the MCO report directly to the SD? [RD Instruction 2006-M, 2006.605(h)(1)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
5. Is the MCO keeping the SD informed of issues relating to Audits, MCRs, and SIRs/Mini-SIRs? [RD Instruction 2006-M, 2006.605(h)(1)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , explain.					
6. Were all State employees notified, in writing, of their State MCO? [RD Instruction 2006-M, 2006.605(f)(1)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____

\* Reviewed

\*\* Discrepancies

7. Does the MCO's position description contain management control responsibilities as a collateral duty?	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
8. Are Management Controls/Resource Management included as a critical element in the MCO's performance plan? [RD Instruction 2006-M, 2006.605(f)(4)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
9. Do all managers/supervisors, GS 13 and above, have Management Controls/Resource Management as a critical element in their performance plan? [RD Instruction 2006-M, 2006.605(f)(4), RD Instruction 2060-A, 2060.8(c)(7)(iv)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<b>If no</b> , list which managers do not have Management Controls/Resource Management as a critical element in their performance plans.					
10. Has the MCO provided any management control training to State employees? [RD Instruction 2006-M, 2006.605(h)(18)]	YES _____	NO _____	N/A _____	# Rev'd _____	# Discr' _____
<p><b>If yes</b>, please explain:</p> <p><b>What</b> training was provided,</p> <p><b>When</b> it was provided,</p> <p><b>Who</b> attended the training?</p> <p>For Strengths only – not a Weakness. Obtain a copy of agendas, lesson plans, and/or other training materials, if available.</p>					
<b>Notes</b>					

## FMD Review Notes

[illegible]



October 26, 2005

TO: State Directors  
Rural Development

FROM: Russell T. Davis      *(Signed by Rodney E. Hood) for*  
Administrator  
Rural Housing Service

SUBJECT: Multi-Family Housing Payment Processing Field Survey

This memorandum is to request information from the Multi-Family Housing (MFH) Payment Processors.

The Centralized Servicing Center (CSC) is conducting a pilot program with the MFH program to process tenant certifications and MFH payments. Currently, CSC is processing tenant certifications and MFH payments for the states of Louisiana, Iowa, and Wisconsin.

Part of the pilot program is to determine the efficiency of CSC to process tenant certifications and MFH payments. In order to develop a baseline work load standard, we are requesting that the MFH payment processors complete the attached survey.

We ask that each office that processes MFH payments complete the survey. Employees that are required to complete the survey may or may not be certified to process payments, but if they assist in any way in the process of reviewing tenant certifications or MFH payments, they must complete the survey.

The survey should be based on an average month's workload.

The National Office will send the survey electronically to the State Office MFH Program Director and Automated Multi-Housing Accounting System (AMAS) Coordinator. Payment processors should complete and email the survey to the State Office MFH staff. The State Office MFH Staff should attach all surveys to one email and forward to the National Office, Attn: [Melinda.C.Martin@wdc.usda.gov](mailto:Melinda.C.Martin@wdc.usda.gov) by Wednesday, November 16, 2005.

If you have any questions, please contact Stephanie White at 202-720-1615 or Janet Stouder at 202-720-9728.

Attachment

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Housing Programs

## MFH Payment - Field Survey

Attachment A

1	No. of Caseload (including LH)						
2	Office Location (ex 09-601)						
3	Centralized ( C ) or Decentralized (D)						
		Example - Employee	Employee #1	Employee #2	Employee #3	Employee #4	Employee #5
		Grade Level	Grade Level	Grade Level	Grade Level	Grade Level	Grade Level
		6					
4	Certified (Y or N)	Y					
5	Percent of Time Spent on following Tasks:						
a	Phone Calls (To & From Borrowers/M. Agents)	20					
b	Inputting Manual TCs	5					
c	Reviewing MINC TCs	15					
d	Processing Manual Project Worksheets	10					
e	Reconcile MFH Payments	15					
f	Other MFH Duties	25					
g	Other Non-MFH Duties (This field will prefill based on items a - f)	10	100	100	100	100	100
		100	100	100	100	100	100

		Percent of Phone Calls Received by MFH Payment Processors
6	MFH Topics	
a	Policy/Occupancy	
b	Input Problems	
c	Help Desk Related	
d	Payment Problems	
e	Other (Please identify)	100
	Total	100

7	Please describe any special processing required by your office for MFH/LH payments	
---	--	--

October 28, 2005

SUBJECT: Transit Distribution Schedule

To: National Office Employees  
Washington, DC only

The Department posts the quarterly and make-up schedules for the distribution of Metro Fare Cards in the National Office at [http://www.hqnet.usda.gov/calendar\\_events.htm](http://www.hqnet.usda.gov/calendar_events.htm). This is the Department's Calendar of Events website and it lists the scheduled events for the current month. Please scroll down the current month's events and click on "Transit Subsidy Distribution." An Adobe Acrobat file will load providing the distribution schedule for the month. Please ensure this website is bookmarked to enable you to view the distribution schedule at your leisure. The Department will no longer send an e-mail to employees notifying them of distribution. Employees are responsible for viewing the above website to obtain the distribution schedule. The Department will continue to distribute a few hard copies of the distribution schedule to each mail code.

If you have any questions, please contact Judy Steer, Transit Coordinator, at 202-692-0012 or by e-mail to [judy.steer@wdc.usda.gov](mailto:judy.steer@wdc.usda.gov).

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
October 31, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on **10/28/05** at **12:45** p.m. by PAS.

October 29, 2005

SUBJECT: Fiscal Year 2006 State Internal Review  
Handbook Updates

TO: Rural Development State Directors

ATTN: Administrative Program Directors and  
Management Control Officers

The Financial Management Division (FMD) has been working closely with the Information Resources Management (IRM) staffs in the National Office and the St. Louis Office to update and issue the Fiscal Year (FY) 2006 State Internal Review (SIR) Handbook review guides and corresponding spreadsheets for calculating compliance scores.

The updated SIR Handbook has been tested and certified by the IRM staff in St. Louis. In addition to the testing and certification, the IRM staff in St. Louis has loaded the updated handbook on the Internet at <https://sir.sc.egov.usda.gov>. The Management Control Officers (MCOs) were notified of this update and availability for downloading from the Internet. The MCOs should ensure they obtain the latest updates to the SIR Handbook.

The value of loans/grants reviewed and the loans/grants with deficiencies will continue to be documented and reported on the "Summary of Review Findings." Beginning with the FY 2006 SIRs, this information must also be reported at the SIR exit conference and in the final SIR report.

The universe data on total subject reviewed (i.e., employees, files, offices, etc.) and those with deficiency findings will still need to be captured and reported in the Automated Reports Tracking System.

EXPIRATION DATE:  
September 30, 2006

FILING INSTRUCTIONS:  
Administrative/Other Programs

If you have any questions, or need additional information, please contact Diana Wareham of FMD, at (202) 692-0044.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic mail on **10/28/05** at **03:45 p.m.** by FMD.  
The State Director should advise other personnel as appropriate.